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VOL 1

U.S. Department of Agriculture

1990 BUDGET EXPLANATORY NOTES FOR COMMITTEE ON APPROPRIATIONS

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Office of the Secretary
Departmental Administration
Office of Governmental & Public Affairs
Office of the Inspector General
Office of the General Counsel

Agricultural Research Service
Cooperative State Research Service
Extension Service
National Agricultural Library

Soil Conservation Service

Rural Electrification Administration
Federal Crop Insurance Corporation
Farmers Home Administration



PREFACE

Project Statements

The obligations shown in the Project Statements are based on the appropriations and activities proposed in the 1990 budget estimates. In some Project Statements the activities are further divided into subcategories, reflecting a more detailed description of the work conducted under the appropriation items.

In those accounts where prior year balances are also available for obligation during the year, such amounts are shown in a separate Project Statement.

The amounts shown in Project Statements for the past year are taken directly from the accounting records to the maximum extent possible. Where the Department has adjusted obligations after Treasury has closed the books for the year, we have shown our most current estimate. These adjustments will be picked up by Treasury in subsequent reports.

Statement of Available Funds and Staff-Years

A statement is included for each agency, immediately following the introductory purpose statement, to reflect all sources of funds available to the agency and to show the staff-years related to each source of funds.

These statements reflect the best available information at the time these Explanatory Notes were prepared (January 1989). However, it is not possible in many instances to determine in advance the extent to which agencies may be requested to perform additional services for other Federal and non-Federal agencies or organizations. Therefore, amounts of actual reimbursements and other funds received from sources other than appropriations directly to the agency may vary from those shown in the statements.

In those cases where the funds are not appropriated (reimbursements, trust funds, transfers, revolving funds, etc.), the dollar amounts shown represent actual or estimated obligations for the year.

In some instances there may be duplication of amounts shown. This results largely from cases involving reimbursements between different agencies within the Department and where amounts are paid from appropriations to the Working Capital Fund. There is no duplication of the staff-years shown.

Classification by Objects

A statement is included for each agency showing total obligations by Object Classification for the agency. Obligations for personnel compensation are also broken between headquarters and field.

Loan Levels

Knowledge of the following basic budget terminology will assist the reader in understanding the budget proposals.

"Direct" loans involve the Federal government disbursing the money to the borrower and receiving the money back from the borrower in regular installments in future years. The Federal agency having responsibility for administering the credit program must counsel prospective borrowers on eligibility criteria and application procedures, evaluate applicant's eligibility and ability to repay, perform the administrative procedures to process the application, make and record the loan payment, receive and record the receipts for repayment, calculate the interest and remaining balance status, monitor the regularity of payments, follow up on delinquent status, and, where necessary, institute legal action to eliminate or minimize the loss to the Federal government in the event of the borrower's default on the loan.

For international trade "Credit Sales", the same basic process is involved except that the disbursement of the cash loan is replaced by the disbursement of cash to purchase and ship the commodities being exported to the foreign country involved.

Loan "Guarantees" involves the Federal government actually guaranteeing a private lending institution that a stipulated portion (commonly 90 percent) of a borrower's loan will be repaid. The Federal government does not disburse or receive funds involved in the loan and repayment between the lending institution and the borrower. If the borrower defaults on the loan, the Federal government would have to disburse to the lending institution the portion of the borrower's unpaid balance representing the amount of the Federal guarantee. The Federal agency having responsibility for administering the credit program must counsel prospective borrowers on eligibility criteria and application procedures, evaluate applicant's eligibility and ability to pay, counsel and assist the borrower in arranging the loan with the lending institution, perform administrative procedures necessary to record the loan guarantee transaction, maintain liaison with the lending institutions to keep informed of the status of loan repayments, follow up on seriously delinquent status, and, where necessary, institute legal action to eliminate or minimize the loss of the Federal government in the event of the borrower's default on the loan. The Rural Electrification Administration (REA), however, guarantees loans made by the Federal Financing Bank. Because REA is guaranteeing loans made by another Federal agency, the transaction more closely resembles an insured loan.

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OFFICE OF THE SECRETARY

Purpose Statement

The Secretary of Agriculture, assisted by the Deputy Secretary, Under Secretaries and Assistant Secretaries, and members of their immediate staffs, directs and coordinates the work of the Department. This includes developing policy, maintaining relationships with agricultural organizations and others in the development of farm programs, and maintaining liaison with the Executive Office of the President and members of Congress on all matters pertaining to agriculture policy.

The Board of Contract Appeals is a reimbursable activity in the Office of the Secretary. It is the authorized representative of the Secretary of Agriculture to make final administrative determinations for the Department of Agriculture in appeals handled under the Secretary's regulations.

The general authority of the Secretary to supervise and control the work of the Department is contained in the Organic Act (7 U.S.C. 2201-2202). The delegation of regulatory functions to the Department employees and authorization of appropriations to carry out these functions is contained in 7 U.S.C. 450c-450g.

The Secretary's Office and the staffs financed from this appropriation are all located in Washington, D.C. As of September 30, 1988, there were 76 permanent full-time and 4 other than full-time permanent employees.

OFFICE OF THE SECRETARY

Available Funds and Staff-Years1988 Actual and Estimated 1989 and 1990

Item	1988 Actual	Staff: Amount Years	1989 Estimated	Staff: Amount Years	1990 Estimated	Staff: Amount Years
Direct Appropriation...	\$ 5,710,000	68	\$5,953,000	73	\$6,115,000	74
Obligations Under Other:						
<u>USDA Appropriations:</u>						
Board of Contract						
Appeals.....	671,389	9	849,000	10	859,000	10
Forest Service.....	15,937	--	80,000	1	81,000	1
Office of Inter-						
national Cooperation.						
and Development.....	44,000	--	--	--	--	--
Agricultural Stabili-						
zation and Conserva-						
tion Service.....	82,760	--	--	--	--	--
Cooperative State.....						
Research Service.....	50,311	--	--	--	--	--
Miscellaneous						
Reimbursements.....	10,000	--	--	--	--	--
Total Other USDA						
Appropriations.....	874,397	9	929,000	11	940,000	11
Total, Office of the						
Secretary.....	\$ 6,584,397	77	\$6,882,000	84	7,055,000	85

Full-time Equivalent Staff-Years:	1988 <u>Actual</u>	1989 <u>Estimated</u>	1990 <u>Estimated</u>
Ceiling	77	84	85
Non-Ceiling	1	4	4
Total	<u>78</u>	<u>88</u>	<u>89</u>

OFFICE OF THE SECRETARY

Permanent Positions by Grade and Staff-Year Summary1988 and Estimated 1989 and 1990

Grade	1988	1989	1990
Headquarters:	Headquarters:	Headquarters:	
Executive Level I	1	1	1
Executive Level II	1	1	1
Executive Level III	2	2	2
Executive Level IV	7	7	7
ES-6	2	2	2
ES-5	2	2	2
ES-4	5	4	4
ES-3	3	3	3
ES-2	3	3	3
ES-1	1	2	2
GS/GM-18	1	1	1
GS/GM-17	1	1	1
GS/GM-16	3	3	3
GS/GM-15	7	9	9
GS/GM-14	5	5	4
GS-13	1	2	2
GS-12	3	4	5
GS-11	6	7	8
GS-10	2	2	2
GS-9	4	6	7
GS-8	9	10	9
GS-7	3	5	5
GS-6	1	1	1
GS-5	--	--	--
GS-4	--	--	--
GS-3	1	--	--
Ungraded Positions	--	3	3
Total Permanent Positions	74	86	87
Staff-Years:			
Ceiling	77	84	85
Non-ceiling	1	4	4
TOTAL	78	88	89

OFFICE OF THE SECRETARY

CLASSIFICATION BY OBJECTS1988 and Estimated 1989 and 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Personnel Compensation:			
Headquarters	\$3,338,344	\$4,198,000	\$4,296,000
11 Total Personnel Compensation	3,338,344	4,198,000	4,296,000
12 Personnel Benefits	641,831	662,000	675,000
Total Pers. Comp. & Benefits ..	<u>3,980,175</u>	<u>4,860,000</u>	<u>4,971,000</u>
Other Objects:			
21 Travel	151,971	130,000	130,000
22 Transportation of things ..	12,000	1,000	1,000
23.3 Communications, utilities and other rent	382,499	394,000	430,000
24 Printing and reproduction .	141,418	126,000	134,000
25 Other services	353,443	355,000	359,000
26 Supplies and materials	67,418	76,000	79,000
31 Equipment	<u>13,057</u>	<u>11,000</u>	<u>11,000</u>
Total Other Objects	<u>1,121,806</u>	<u>1,093,000</u>	<u>1,144,000</u>
Total Direct Obligations	<u>5,101,981</u>	<u>5,953,000</u>	<u>6,115,000</u>

Position Data:

Average Salary, ES positions ...	\$68,924	\$73,291	\$73,542
Average Salary, GM/GS positions.	\$37,320	\$39,913	\$41,549
Average Grade, GM/GS positions..	11.02	11.09	11.11

OFFICE OF THE SECRETARY

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Office of the Secretary

For necessary expenses of the Office of the Secretary of Agriculture, [including the direct supervision of the Soil Conservation Service and the Forest Service,] and not to exceed [\$50,000] \$75,000 for employment under 5 U.S.C. 3109, [\$1,762,000], \$6,115,000. Provided, That not to exceed [\$8,000] \$11,000 of this amount shall be available for official reception and representation expenses, not otherwise provided for, as determined by the Secretary.

[Office of the Deputy Secretary]

[For necessary expenses of the Office of the Deputy Secretary of Agriculture, including not to exceed \$25,000 for employment under 5 U.S.C. 3109 \$363,000: Provided, That not to exceed \$3,000 of this amount shall be available for official reception and representation expenses, not otherwise provided for, as determined by the Deputy Secretary.]

[Office of the Assistant to the Secretary for Special Services]

[For necessary salaries and expenses to continue the Office of the Assistant to the Secretary for purposes of providing special services to the Department, \$150,000: Provided, That none of those funds shall be available for the supervision or management of Natural Resources and Environmental activities, the Soil Conservation Service, or the Forest Service or any other activities or functions associated therewith.]

[Office of the Assistant Secretary for Administration]

[For necessary expenses of the Office of the Assistant Secretary for Administration to carry out the programs funded in this Act, \$467,000.]

[Office of the Assistant Secretary for Governmental and Public Affairs]

[For necessary expenses of the Office of the Assistant Secretary for Governmental and Public Affairs to carry out the programs funded in this Act, \$408,000.]

[Office of the Assistant Secretary for Economics]

[For necessary expenses of the Office of the Assistant Secretary for Economics to carry out the programs funded in this Act, \$447,000.]

[Office of the Assistant Secretary for Science and Education]

[For necessary salaries and expenses of the Office of the Assistant Secretary for Science and Education to administer the laws enacted by the Congress for the Agricultural Research Service, Cooperative State Research Service, Extension Service, and National Agricultural Library, \$432,000.]

[Office of the Assistant Secretary for Marketing and Inspection Services]

[For necessary salaries and expenses of the Office of the Assistant Secretary for Marketing and Inspection Services to administer programs under the laws enacted by the Congress for the Animal and Plant Health Inspection Service, Food Safety and Inspection Service, Federal Grain Inspection Service, Agricultural Cooperative Service, Agricultural Marketing Service (including Office of Transportation) and Packers and Stockyards Administration, \$421,000.]

[Office of the Under Secretary for International Affairs and Commodity Programs]

[For necessary salaries and expenses of the Office of the Under Secretary for International Affairs and Commodity Programs to administer the laws enacted by the Congress for the Agricultural Stabilization and Conservation Service, Office of International Cooperation and Development, Foreign Agricultural Service, and the Commodity Credit Corporation, \$413,000.]

[Office of the Under Secretary for Small Community and Rural Development]

[For necessary salaries and expenses of the Office of the Under Secretary for Small Community and Rural Development to administer programs under the laws enacted by the Congress for the Farmers Home Administration, Rural Electrification Administration, Federal Crop Insurance Corporation, and rural development activities of the Department of Agriculture, \$418,000.]

[Office of the Assistant to the Secretary for Natural Resources and Environment]

[For necessary salaries and expenses of the Office of the Assistant to the Secretary for Natural Resources and Environment to administer the laws enacted by the Congress for the Forest Service and the Soil Conservation Service, \$266,000: Provided, That the position of the Assistant to the Secretary for Natural Resources and Environment, for maximum results, should be filled by an experienced employee of the Soil Conservation Service or Forest Service.]

[Office of the Assistant Secretary for Food and Consumer Services]

[For necessary salaries and expenses of the Office of the Assistant Secretary for Food and Consumer Services to administer the laws enacted by the Congress for the Food and Nutrition Service and the Human Nutrition Information Service, \$406,000.] 7 U.S.C. 2201-2202: Rural Development, Agriculture and Related Agencies Appropriations Act, 1989.

This change merges amounts appropriated to the Deputy Secretary and to Under and Assistant Secretaries with amounts appropriated to the Secretary of Agriculture for the operation of the offices within the Office of the Secretary to reestablish a single appropriation for that Office. The Fiscal Year 1989 Appropriations Act established separate appropriation accounts for the Immediate Office of the Secretary, the Office of the Assistant to the Secretary for Special Services, the Office of the Assistant to the Secretary for Natural Resources and Environment, the Office of the Deputy Secretary and each Under and Assistant Secretary.

The fiscal year 1990 Budget proposes to reestablish a single appropriation for these activities. The multiple accounts unduly restrict the discretion of the Secretary, to organize the resources to carry out the Department's programs in the most cost effective manner. The Secretary is charged with the responsibility and implementation of national agriculture policies enacted by the Congress. The establishment of multiple appropriations limits his ability to establish priorities and shift resources necessary to meet the changing conditions of America's agriculture.

OFFICE OF THE SECRETARY

Appropriations Act, 1989	\$5,953,000
Budget Estimate, 1990	<u>6,115,000</u>
Increase in Appropriation	<u>+162,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Operating Costs</u>	<u>Program Change</u>	<u>1990 Estimated</u>
Immediate Office of the Secretary	\$1,762,000	+\$ 27,000	--	\$1,789,000
Special Services.....	150,000	--	-\$150,000	--
Natural Resources.....	266,000	--	- 266,000	--
Office of the Deputy Secretary ..	363,000	+ 5,000	+29,000	397,000
Assistant Secretary for Administration	467,000	+ 7,000	--	474,000
Assistant Secretary for Governmental and Public Affairs	408,000	+ 6,000	--	414,000
Assistant Secretary for Economics	447,000	+ 7,000	--	454,000
Assistant Secretary for Science and Education	432,000	+ 6,000	--	438,000
Assistant Secretary for Marketing and Inspection Services	421,000	+ 6,000	--	427,000
Under Secretary for International Affairs and Commodity Programs .	413,000	+ 6,000	--	419,000
Under Secretary for Small Community and Rural Development	418,000	+ 6,000	--	424,000
Assistant Secretary for Natural Resources and Environment	--	--	+467,000	467,000
Assistant Secretary for Food and Consumer Services	<u>406,000</u>	<u>+ 6,000</u>	<u>--</u>	<u>412,000</u>
Total Available	<u>\$5,953,000</u>	<u>+\$82,000</u>	<u>+\$80,000</u>	<u>\$6,115,000</u>

PROJECT STATEMENT
(On basis of appropriation)

	: 1988 Actual		: 1989 Estimated		: Increase:		: 1990 Estimated	
Project	: Amount	: Staff:	: Amount	: Staff:	or	: Decrease:	: Amount	: Staff
		: Years:		: Years:				: Years
1. Secretary ...	\$1,430,453:	18	\$1,762,000:	24	+\$ 27,000:		\$1,789,000:	24
Investiga-								
tions.....	75,000:	--	--	--	--	--	--	--
Special								
Services.....	--	--	150,000:	2	- 150,000:		--	--
NRE.....	--	--	266,000:	3	- 266,000:		--	--
2. Deputy								
Secretary....	307,290:	4	363,000:	4	+ 34,000:		397,000:	5
3. Under/Asst.								
Secretaries								
SS.....	406,286:	5	--	--	--	--	--	--
ADM.....	431,985:	5	467,000:	5	+ 7,000:		474,000:	5
OGPA.....	300,674:	5	408,000:	5	+ 6,000:		414,000:	5
ECON.....	440,845:	5	447,000:	5	+ 7,000:		454,000:	5
S/E.....	345,911:	5	432,000:	5	+ 6,000:		438,000:	5
MIS.....	323,588:	5	421,000:	5	+ 6,000:		427,000:	5
IACP.....	287,201:	5	413,000:	5	+ 6,000:		419,000:	5
SCRD.....	411,194:	5	418,000:	5	+ 6,000:		424,000:	5
NRE.....	--	--	--	--	+ 467,000:		467,000:	5
FCS.....	341,554:	5	406,000:	5	+ 6,000:		412,000:	5
Unobligated								
Balance	608,019:							
Total Available					1/:			
or Estimate	:\$ 5,710,000:	67	:\$5,953,000:	73	+\$162,000:		\$6,115,000:	74

EXPLANATION OF PROGRAM

The Office of the Secretary, Deputy Secretary, Under Secretaries, Assistant Secretaries and their immediate staffs provide policy and guidance for the Department and maintain relationships with agricultural organizations and others in the development of farm programs.

JUSTIFICATION OF INCREASES AND DECREASES(1) An increase of \$162,000 consisting of:(a) An increase of \$29,000 to fund an additional staff year in the Office of the Deputy Secretary.

Need for Change. The Department has determined that the chauffeur to the Deputy Secretary should be assigned to and funded in the Office of the Deputy Secretary. Prior to FY 1990, this service was provided and financed by the Office of Operations. The FY 1990 budget proposes to move the staff year and funding to the Office of the Deputy Secretary. A corresponding reduction has been made in the resources for the Office of Operations in the Departmental Administration account.

Nature of Change. This proposal would shift resources to reflect the reassignment of this position to the Office of the Deputy Secretary.

(b) An increase of \$51,000 to restore funding for the Office of the Assistant Secretary for Natural Resources and Environment.

Need for Change. The Office of the Assistant Secretary for Natural Resources and Environment is needed to provide guidance and oversight to the Forest Service and to the Soil Conservation Service. Additional funding for the Office of the Assistant Secretary for Natural Resources and Environment is needed so that the functions of that office may be carried out in a manner commensurate with the responsibilities of the office.

Nature of Change. These resources would be used to provide an adequate level of leadership, policy planning, guidance and direction for the Department and to evaluate agricultural programs ensuring that accomplishments are consistent both with the Department's prescribed objectives and sound management principles.

(c) An increase of \$82,000 for increased operating costs.

Need for Change. These funds will enable the offices to meet rising operating costs. It also includes increased telephone costs previously funded by the General Services Administration (GSA). The Department was notified that the Secure Telephone Unit (STU) network will be upgraded to comply with the National Security Agency (NSA) guidelines. The long term funding of the new STU III maintenance will become the responsibility of this Office.

Nature of Change. This increase will cover costs associated with inflation, e.g. communications, printing, supplies and other services.

Office of the Secretary
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 and Estimated 1989 and 1990

	<u>1988</u>		<u>1989</u>		<u>1990</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
Washington, D.C.	\$5,101,981	67	\$5,953,000	73	\$6,115,000	74

OFFICE OF THE SECRETARY

PASSENGER MOTOR VEHICLES

The 1990 Budget Estimates propose no additional or replacement passenger motor vehicles.

Two vehicles are rented on an annual basis for use by the Secretary of Agriculture and the Deputy Secretary.

DEPARTMENTAL ADMINISTRATION

Purpose Statement

The Departmental Staff Offices provide staff support to the top policy officials of the Department and overall direction and coordination of the work of USDA's program agencies to ensure the efficient and effective management and operation of the Department.

Activities carried out by Departmental Staff Offices include:

- Overall direction and administration of the Department's budgetary functions including development, presentation, and execution of the budget; review of program and legislative proposals for program, and budget implications; and analysis of program issues and alternatives and preparation of summaries of pertinent data to aid Departmental policy officials and agency program managers in the decision-making process.
- Departmental leadership, oversight, and policy development in the areas of real and personal property, procurement, contracts, motor vehicles, management improvement, and automated data processing.
- Guidance in and support of the personnel management program of the Department.
- Overall guidance, leadership, and coordination for the Department's programs for equal opportunity and civil rights; implementation and administration of programs under Sections 8 and 15 of the Small Business Act; direction of the Department's efforts to further the participation of minority colleges and universities in Departmental programs; and direction and monitoring of compliance in promoting full and open competition in procurement.
- Departmental leadership, development and evaluation of programs in finance, accounting, Federal assistance, occupational safety and health, travel, productivity improvement, and management improvement; and budget, accounting and fiscal services to the Office of the Secretary and Departmental Staff Offices.
- Regulatory hearings and decisions by the Administrative Law Judges who hold rulemaking and adjudicatory hearings and initial decisions and orders, and by the Judicial Officer who serves as final deciding officer in regulatory proceedings.
- Development and dissemination of Departmental standards, guidelines, rules, and regulations necessary to implement approved Information Resources Management (IRM) principles, policies, and programs that improve the operational effectiveness of USDA's programs; to provide for long-range IRM planning for the Department, to guide the IRM planning of its agencies and to review, monitor and oversee major agency and Departmental Information Resources Management programs; to provide telecommunications and ADP services to USDA agencies and Staff Offices.
- Development of policies and procedures to minimize and control burdens associated with information collection by the Department from individuals, businesses, and other private institutions, and State and local governments.

Working Capital Fund Activities. In addition to the activities indicated above, the Department's Staff Offices provide central services to the agencies of the Department, which are currently financed under the Department's Working Capital Fund (7 U.S.C. 2235) and include central accounting, payroll, voucher payments, billings and collections, supply, reproduction and copier services, mail collection and delivery, mailing lists, forms distribution, central shipping and receiving, excess personal property control, executive correspondence control, Imprest Fund, an automated contract system, computer services and centralized telecommunication services. A detailed explanation of these activities is presented in the Working Capital Fund section.

Reimbursable Activities. Includes travel and printing for the Administrative Law Judges, miscellaneous details, as well as reimbursements for service to Working Capital Fund activities.

Geographic Location. The majority of the staff offices are located in Washington, D.C. Central services financed through the Working Capital Fund are provided by the National Finance Center located in New Orleans and by the Department's computer centers located in Washington, D.C., Kansas City, Missouri and Fort Collins, Colorado, and by other administrative service units located in the Washington Metropolitan area.

As of September 30, 1988, there were 1,864 full-time employees and 186 part-time employees in the staff offices included under Departmental Administration, including 636 permanent full-time and 46 part-time employees located in Washington, D.C.

DEPARTMENTAL ADMINISTRATION

Available Funds and Staff-Years1988 Actual and Estimated, 1989 and 1990

Item	1988		1989		1990	
	Actual		Estimated		Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Direct Appropriation.....	\$24,916,000:	426	\$25,922,000:	467	\$27,054,000:	478
Obligations Under other						
USDA Appropriations:						
Motor Vehicles Project	246,542:	--	348,000:	--	--	--
Department of Interior	--	--	25,000:	--	25,000:	--
Miscellaneous Details...	282,885:	--	218,000:	--	200,000:	--
Office of Administrative:						
Law Judges	60,313:	--	65,000:	--	75,000:	--
Miscellaneous.....	211,951:					
Subtotal.....	801,691:	--	691,000:	--	300,000:	--
Management Support						
Services provided to						
WCF Activities	3,473,000:	68	3,543,000:	73	3,629,000:	75
Total, Reimbursements...	4,274,691:	68	4,234,000:	73	3,929,000:	75
Working Capital Fund:						
Supply and Other Central:						
Services	10,245,000:	139	13,604,000:	150	14,133,000:	150
National Finance Center..	60,864,000:	1,190	63,710,000:	1,238	68,086,000:	1,251
ADP Services.....	50,591,000:	173	59,214,000:	202	59,188,000:	206
Purchase of Equipment...	14,501,000:	--	22,658,000:	--	23,820,000:	--
Subtotal, Working						
Capital Fund.....	136,201,000:	1,502	159,186,000:	1,590	165,227,000:	1,607
TOTAL, Other						
Appropriations.....	140,475,691:	1,570	163,420,000:	1,663	169,156,000:	1,682
Total, Departmental						
Administration.....	165,391,691:	1,996	189,342,000:	2,130	196,210,000:	2,160

Full-time Equivalent Staff-Years:	1988 Actual	1989 Estimated	1990 Estimated
Ceiling.....	1,996	2,130	2,160
Non-Ceiling.....	65	70	67
	2,061	2,200	2,227

DEPARTMENTAL ADMINISTRATION
Permanent Positions By Grade And Staff Year Summary
1988 And Estimated 1989 and 1990

GRADE	1988			1989			1990		
	HDQTRS.	FIELD	TOTAL	HDQTRS.	FIELD	TOTAL	HDQTRS.	FIELD	TOTAL
ES-6	7	--	7	7	--	7	7	--	7
ES-5	8	2	10	9	2	11	9	2	11
ES-4	1	--	1	--	--	--	--	--	--
ES-3	--	2	2	--	3	3	--	3	3
ES-2	1	5	6	1	4	5	1	4	5
ES-1	1	--	1	1	--	1	1	--	1
GS/GM-17 ..	2	--	2	2	--	2	2	--	2
GS/GM-16 ..	3	--	3	3	--	3	4	--	4
GS/GM-15 ..	37	13	50	38	12	50	40	13	53
GS/GM-14 ..	97	36	133	97	43	140	99	45	144
GS/GM-13...	126	89	215	145	110	255	156	113	269
GS-12	52	167	219	62	210	272	55	211	266
GS-11	26	107	133	27	133	160	29	135	164
GS-10	1	6	7	1	7	8	1	13	14
GS- 9	39	50	89	46	83	129	46	76	122
GS- 8	18	42	60	17	41	58	20	45	65
GS- 7	57	103	160	64	106	170	67	139	206
GS- 6	37	152	189	39	173	212	38	150	188
GS- 5	21	200	221	26	200	226	23	186	209
GS- 4	53	185	238	56	113	169	54	113	167
GS- 3	27	53	80	22	23	45	29	23	52
GS- 2	7	--	7	7	--	7	7	--	7
GS- 1	--	--	--	10	--	10	10	--	10
Other	:	:	:	:	:	:	:	:	:
Graded	:	:	:	:	:	:	:	:	:
Positions	--	1	1	--	--	--	--	--	--
Ungraded	:	:	:	:	:	:	:	:	:
Positions..	15	15	30	39	15	54	38	15	53
Total	:	:	:	:	:	:	:	:	:
Permanent	:	:	:	:	:	:	:	:	:
Positions	636	1,228	1,864	719	1,278	1,997	736	1,286	2,022
Staff Years:	:	:	:	:	:	:	:	:	:
Ceiling...	659	1,337	1,996	717	1,413	2,130	730	1,430	2,160
Non-Ceiling	4	61	65	9	61	70	9	58	67
TOTAL	663	1,398	2,061	726	1,474	2,200	739	1,488	2,227

DEPARTMENTAL ADMINISTRATIONCLASSIFICATION BY OBJECTS1988 and Estimated 1989 and 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Personnel Compensation:			
Headquarters	\$17,028,368	18,911,000	19,542,000
Field	<u>---</u>	<u>---</u>	<u>---</u>
11 Total personnel compensation	17,028,368	18,911,000	19,542,000
12 Personnel benefits	2,192,151	2,446,000	2,511,000
13 Benefits for former personnel	14,399	19,000	19,000
Total Personnel Comp. and			
Benefits	<u>19,234,918</u>	<u>21,376,000</u>	<u>22,072,000</u>
Other Objects:			
21 Travel	401,896	413,000	428,000
22 Transportation of things ...	18,791	8,000	8,000
23.2 Communications, utilities			
and other rent	942,852	982,000	1,125,000
24 Printing and reproduction ..	295,651	296,000	354,000
25 Other services	2,278,567	2,187,000	2,259,000
26 Supplies and materials	413,075	412,000	426,000
31 Equipment	506,628	148,000	272,000
41 Grants & Subsidies and			
Contributions.....	<u>115,500</u>	<u>100,000</u>	<u>110,000</u>
Total other objects	<u>4,972,960</u>	<u>4,546,000</u>	<u>4,982,000</u>
Total direct obligations	<u>24,207,878</u>	<u>25,922,000</u>	<u>27,054,000</u>

Position Data:

Average Salary, ES positions	\$74,360	\$74,636	\$74,729
Average Salary, GM/GS positions	\$31,730	\$34,798	\$35,076
Average Grade, GM/GS positions	10.9	12.1	12.2

DEPARTMENTAL ADMINISTRATION

The estimates include appropriation language for this item as follows: (new language in underscored; deleted matter enclosed in brackets):

Departmental Administration

For Budget and Program Analysis, [\$4,389,000;] \$4,554,000; for Personnel, Finance and Management, Operations, Information Resources Management, Advocacy and Enterprise, and Administrative Law Judges and Judicial Officer, [\$21,271,000;] 22,498,000 and in addition, for the payment of the USDA share of the National Communications System, [\$262,000] \$2,000; making a total of [\$25,922,000] \$27,054,000 for Departmental Administration to provide for necessary expenses for management support services to offices of the Department of Agriculture and for general administration of the Department of Agriculture, repairs and alterations, and other miscellaneous supplies and expenses not otherwise provided for and necessary for the practical and efficient work of the Department of Agriculture, including employment pursuant to the second sentence of Section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), of which not to exceed \$10,000 is for employment under 5 U.S.C. 3109: Provided, That this appropriation shall be reimbursed from applicable appropriations in this Act for travel expenses incident to the holding of hearings as required by 5 U.S.C. 551-558.

DEPARTMENTAL ADMINISTRATION

Appropriation Act, 1989	\$25,922,000
Budget Estimate, 1990	27,054,000
Increase in Appropriation	<u>+1,132,000</u>

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Budget and Program Analysis	\$4,389,000	+\$165,000	\$4,554,000
Personnel	5,982,000	+130,000	6,112,000
Finance and Management	3,853,000	+229,000	4,082,000
Operations	2,688,000	+177,000	2,865,000
Information Resources			
Management	4,635,000	+266,000	4,901,000
Advocacy and Enterprise....	3,088,000	+125,000	3,213,000
Administrative Law Judges & Judicial Officer	1,025,000	+300,000	1,325,000
National Communications System.....	<u>262,000</u>	<u>-260,000</u>	<u>2,000</u>
Total Available.....	<u>25,922,000</u>	<u>+1,132,000</u>	<u>27,054,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	1988 Actual		1989 Estimated		Increase or Decrease	1990 Estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
1. Budget and Program Analysis.....	\$3,884,305	70	\$4,389,000	78	+\$165,000 (1)	\$4,554,000	78
2. Departmental Administrative Management.....							
Staff Offices:							
a. Personnel...	5,560,094	109	5,982,000	119	+130,000	6,112,000	120
b. Finance and Management..	3,606,908	60	3,853,000	69	+229,000	4,082,000	71
c. Operations	2,585,821	59	2,688,000	59	+177,000	2,865,000	61
d. Information Resources Management..	4,539,846	57	4,635,000	64	+266,000	4,901,000	64
e. Advocacy and Enterprise..	2,992,162	52	3,088,000	58	+125,000	3,213,000	60
f. Administra- tive Law Judges & Judicial Officer	955,142	19	1,025,000	20	+300,000	1,325,000	24
Total Staff Offices.....	20,239,973	356	21,271,000	389	+1,227,000 (2)	22,498,000	400
g. National Communi- cations System.....	83,600	---	262,000	---	-260,000 (3)	2,000	---
Total, Admin. Management.....	24,207,878	426	25,922,000	467	+1,132,000	27,054,000	478
Unobligated Balance.....	708,122	---	---	---	---		---
Total, Appropriation.....	24,916,000	426	25,922,000	467	+1,132,000	27,054,000	478

EXPLANATION OF PROGRAM

This appropriation provides for the following activities:

Budget and Program Analysis - This activity provides direction and administration of the Department's budgetary functions including development, presentation, and execution of the budget; reviews program and legislative proposals for program, and budget and related implications; analyzes program and resource issues and alternatives, and prepares summaries of pertinent data to aid Departmental policy officials and agency program managers in the decision-making process; provides Department-wide coordination for and participation in the presentation of budget related matters to the Committees of the Congress, the press, and interested public. Provides Department-wide coordination of the preparation and processing of legislative programs and reports; develops and maintains a mission-oriented program structure which defines Department missions, goals and objectives for the purpose of establishing long and short range program planning; aids the Secretary and other Departmental agency officials in making management decisions regarding the Department's programs and resources.

Personnel - This activity provides general liaison, direction, leadership, coordination and monitoring of the personnel management program in the Department and promulgation of Departmental policies and procedures relating to all personnel functions. Operational services are provided to the Office of the Secretary, Office of the Inspector General, Office of the General Counsel, Office of Governmental and Public Affairs, Office of Budget and Program Analysis, and the Departmental Administrative Staff Offices. Equal Employment Opportunity under Title 7 of the Civil Rights Act of 1964 is provided to all USDA agencies.

Finance and Management - This activity provides Departmental leadership, development and evaluation of programs in finance, accounting, Federal occupational safety and health, productivity and management improvements. The Director serves as the Department's chief financial officer, management improvement officer and comptroller of the Working Capital Fund. Finance and the Management also provides budget, accounting and fiscal operational services to the Office of the Secretary, the Departmental Administrative Staff Offices, Office of the General Counsel, Office of Governmental and Public Affairs, and the Office of Budget and Program Analysis.

Operations - This activity provides staff and support services to the USDA Agencies in the management of real and personal property, procurement, contracts, supplies, motor vehicles and internal energy conservation. Under an agreement with GSA, it operates and provides maintenance security and services to the Washington, D.C. building complex. The Office of Operations also provides procurement and contract operational services to the Office of the Secretary, the Departmental Administrative Staff Offices, Office of the General Counsel, Office of Governmental and Public Affairs, and the Office of Budget and Program Analysis.

Information Resources Management - This activity designs, implements and revises systems, processes, work methods and techniques to improve the management of information resources and the operational effectiveness of USDA. The Director serves as the Department's clearance officer for statistical reporting and information collection. This activity also provides telecommunications and ADP services to USDA agencies and staff offices through the Fort Collins National Computer Center, and Kansas City National Computer Center. The Office of Information Resources Management also provides, through a Departmental Computer Services Unit, ADP operational services to the Office of the Secretary, the Departmental Administrative Staff Offices, Office of Governmental and Public Affairs and the Office of Budget and Program Analysis.

Advocacy and Enterprise - This activity provides leadership, and coordination for the Department's programs for Equal Opportunity, Civil Rights and Affirmative action; implementation and administration of sections 8 and 15 of the Small Business Act; and direction of Departmental efforts to further the participation of minority colleges and universities in USDA programs; direction and monitoring of compliance in promoting full and open competition in procurement.

Administrative Law Judges/Judicial Officer - The Administrative Law Judges hold hearings in connection with prescribing new regulations and orders and on disciplinary complaints filed by the Department or on some petitions filed by private parties asking relief from actions of the Department. Final administrative decisions in regulatory proceedings are rendered by the Judicial Officer.

National Communications System - This activity represents USDA's proportionate share of the cost of developing a nation-wide emergency preparedness telecommunications network established and required by Presidential National Security Decision Directive number 201.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$165,000 for Budget and Program Analysis consisting of ADP hardware and software for continued office automation and budget services automated activities.

Need for Change. The office undertook a phased installation of automated capability for OBPA beginning in 1983. Since that time, automated activities have become increasingly more extensive and more essential to promptly analyze impacts of rapidly changing program and budget issues. Most of the budget materials developed to respond to needs of USDA and executive Branch policy officials and Congressional Committees are prepared, verified, and reviewed with the use of the office's automated systems. Key program and budget summary data and tables are prepared using the automation tools to enable the office to respond more timely to policy officials during the development of the President's budget and to Congressional committees during their consideration of the President's program and budget proposals. The office is now tied into several computer systems in OMB which are used to prepare the President's budget documents and a wide array of special analyses. In addition, the office has exchanged automated data files with several agencies to aid in more comprehensive analyses of key programmatic, budgetary, and legislative issues. Also, the office uses its automation capability to monitor and track status of key legislative and regulatory issues to better serve agencies and Department policy officials.

While the office has gradually built and improved this capability over several years, the basic hardware and software will be 8 years old by 1990. During FY 1989, the office will analyze its current automation needs and determine what automation capabilities will best meet such needs for the next 5 to 8 years. Funds will be needed in FY 1990 to begin a phase modification or replacement of existing hardware and software to meet continuing and emerging automation needs determined during FY 1989.

Nature of Change. Funds will be used to begin the first year phase of automated system modification or replacement following an analyses of such needs to be completed in FY 1989. This will be an essential part of the office's effort to meet continually increasing workload requirements within a stable level of staff resources.

(2) An increase of \$1,227,000 for the Administrative Staff Offices consisting of:

- (a) An increase of \$130,000 for the Office of Personnel to support USDA agencies from the Payroll/Personnel database at the National Finance Center (NFC), which is needed to provide information on the USDA workforce, e.g., personnel history data and statistical profiles. Also, the increase provides resources for a Recruitment Demonstration Project which will enable the Agricultural Research Service and the Forest Service to recruit outside the "normal" process.

Need for Change. USDA's Office of Personnel and the National Finance Center maintain an automated database of USDA employees as part of the Payroll/Personnel System, which contains information about the demography of the USDA workforce. As part of its service to USDA agencies, Personnel makes inquiries to the database for use in evaluation of agencies' employment patterns, staffing, and distribution of minority individuals within the workforce. Also, Personnel utilizes the data base to respond to special data inquiries from the OMB, OPM, and the Congress. Over the past several years, requests have increased dramatically, at the same time NFC has altered its billing algorithm and charges for systems usage have increased. The net effect is a 230 percent increase from \$37,000 in FY 1988 to \$122,000 by FY 1990 for this service. The increase for the Demonstration project will allow two USDA agencies, the Agricultural Research Service (ARS) and the Forest Service, to recruit for hard to fill vacant positions. The probationary periods will be extended to better evaluate performance. The project will broaden USDA's ability to recruit and improve the inefficient, time consuming methods of the current system. It will test whether changes in hiring and retention policies can make the Federal employment system more competitive in attaining a quality workforce that is representative of all segments of society.

Nature of Change. Increased resources of \$80,000 for payments to the National Finance Center for systems usage and \$50,000 for 1 added FTE and operating costs for the Recruitment Demonstration Project.

- (b) An increase of \$229,000 for the Office of Finance and Management that will allow the Department to respond to to the new audit resolution and follow up requirements of OMB Circular A-50 "Audit Follow-up", new legislation in this area, and to provide upgraded budget and fiscal services to the Secretary, Departmental Staff Offices, and related appropriations.

Need for Change. USDA has approximately 5,000 audits per year that generate 53,400 actions per year. The resources will help to establish an automated tracking system and allow for analysis of problems, trends, and technical assistance in resolution of differences. The number of appropriations serviced and complexity of budgeting has increased at a time when staff year resources have been restrained and service has not kept pace accordingly. The added resources are needed to restore an acceptable level of service.

Nature of Change. An increase of 2 FTE and operating resources will be applied to tracking of USDA agencies' audit resolution and increased budget and fiscal services to the Office of the Secretary, the Departmental Staff Offices and related appropriations.

- (c) A net increase of \$177,000 for the Office of Operations consisting of \$206,000 that will provide resources to develop, monitor, manage, and administer the central USDA motor vehicle information system and a decrease of \$29,000 for the additional staff year in the Office of the Deputy Secretary. (See Office of the Secretary justification for the offset.) Increased funds will also be applied to implement a generic real property information system.

Need for Change. Public Law 99-272, the Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985 and the Federal Property and Administration Service Act require that the Department monitor and track operations relating to the delivery of motor vehicle services to ensure the most economical operations. USDA agencies need policy, information, oversight and guidance in meeting the requirements of this legislation. Information on USDA agencies' motor fleet use and management is required as part of the government-wide initiative to reduce costs of motor fleet operations under the COBRA legislation. To assist agencies, resources will be applied to developing, maintaining and monitoring motor fleet information systems to ensure that vehicle fleet sizes are kept to a level consistent with minimum requirements, and that costs are competitive with all other sources, e. g., leasing of vehicles. This effort will involve staff time and charges for data communication links with the NFC data base. Also, the new policies and regulations regarding use of motor vehicles between home and work require an increased level of oversight and guidance. Personal property management reviews by the Department will be expanded to include on-site reviews of agencies' motor vehicle services and operations, requiring travel to various field locations.

The development of a Department-wide, generic real property information system has been completed and now needs to be implemented across the Department. The real property information system will allow USDA managers to better assess, assign, and use their space for office or other purposes as needed. The resources requested will allow for conversion of ADP files to the new system, operation and maintenance of the system, and training of employees to use and access the system.

Nature of Change. Two FTE and operating resources will be applied to the development, management and maintenance of the Motor Vehicle Information System, data communication links with the NFC data base, as well as for travel to conduct on-site reviews. Added resources will allow for file conversion to the real property information system, operation and training.

- (d) An increase of \$266,000 for the Office of Information Resources Management allows USDA to reassess the Department's central telecommunications requirements and to prepare telecommunications contract requirements.

Need for Change. This increase will assure the continuation of long haul, data communication services to USDA agencies after the TELENET contract expires in December of 1990. A new contract must be competed to ensure continuous data transmission and communications across USDA's field structure. DEPNET expenditures have increased from \$7.6 million in FY 1984 to a projected \$40 million in FY 1990. This reflects the increased USDA field office automation and increased applications of computer technology. At the same time the volume of data transmitted has increased by over 600 percent, the unit costs of DEPNET have dropped below the FY 1984-85 rate.

Nature of Change. Resources would be applied to pay for travel and contract service costs associated with a reassessment of telecommunications requirements and the development of a request for proposal to meet such requirements. This effort would include analysis of systems requirements, rate analyses and proposals from vendors.

- (e) An increase of \$125,000 will allow the Office of Advocacy and Enterprise to implement its leadership role in the Small and Limited Resource Farmer Initiative (SLRFI) under the Farm Credit Act of 1987. Also, these resources will allow for improving methods to lower barriers to of property and services under the Competition in Contracting Act and for the start of an outreach program to Historically Black Colleges Universities to assist them in participating in USDA's related programs, e. g., research.

Need for Change. Among its provisions, the Farm Credit Act of 1987 named OAE the lead USDA agency for the SLRFI. To implement this mandate, OAE will conduct reviews of State agencies, provide technical assistance, and identify farm advocacy groups and trade associations that may be of assistance to farmers targetted under the initiative. Also, work will be undertaken to lower barriers to minority and small businesses in contracting for services to USDA agencies. USDA has undertaken an initiative to expand its outreach to Historically Black Colleges and Universities (HBCU's) to assist them in participating more fully in the related programs of the Department. The increase in resources will help address that need.

Nature of Change. Operating funds for 2 FTE will be applied to the SLRFI and for the Competition in Contracting Act. Also, funds will increased to include resources for outreach to the Historically Black Colleges and Universities.

- (f) An increase of \$300,000 for the Office of Administrative Law Judges and the Judicial Officer to handle workload increases attributed, primarily, to the passage of the Hunger Prevention Act of 1988.

Need for Change. Among its provisions, the Hunger Prevention Act requires hearings before the Administrative Law Judges to settle food stamp claims against State agencies. Cases from 1986 onward must be adjudicated by the OALJ not the Food Stamp Appeals Board. It is anticipated that the caseload will require an added Law Judge, secretary, and a Hearing Clerk. Funds will also provide for the Judges to hire independent experts for their own use, as permitted under the Act.

Nature of Change. Salaries and operating funds for 4 added FTE and contractual funds for experts to assist judges and conduct special analyses.

- (3) A decrease of \$260,000 for the National Communications Systems will allow \$2,000 to pay USDA's prorata share of a National Level Program (NLP) of emergency telecommunications as mandated by Presidential National Security Decision Directive (NSDD) 201. This payment supports development of the NCS and is not a regular Departmental activity.

Need for Change. As required by National Security Decision Directive (NSDD) 201, USDA contributes a prorata share of resources to aid in financing the development of a National Level Program (NLP) of emergency communications. This program would continue communications in time of national emergency or regional disaster. A study conducted for the National Communications System (NCS) Council of Representatives focused on developing a new FY 1990 funding allocation methodology and long term funding of the National Level Program requirements. Based on the study and the occurrence of slippage in contracting work under the Nationwide Emergency Telecommunications Service (NETS) portion of the NLP, USDA's funding requirement for FY 1990 was determined to be minimal, \$2,000. NCS is proposing legislation to establish a surcharge on telecommunications services to agencies by commercial vendors as a source of long term funding. However, until passage of such legislation, NCS will continue to be financed by agencies' contributions.

Nature of Change. Decrease of \$260,000 in Other Services allowing \$2,000 to pay USDA's pro-rata share of the NCS National Level Program.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 AND ESTIMATED 1989 AND 1990

	<u>1988</u>		<u>1989</u>		<u>1990</u>	
	<u>Amounts</u>	<u>Staff</u>	<u>Amounts</u>	<u>Staff</u>	<u>Amounts</u>	<u>Staff</u>
		<u>Years</u>		<u>Years</u>		<u>Years</u>
Washington, DC	\$24,207,878	426	\$25,922,000	467	\$27,054,000	478

WORKING CAPITAL FUND
CLASSIFICATION OF OBJECTS
1988 and Estimated 1989 and 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Personnel Compensation:			
Headquarters	\$4,423,000	\$5,075,000	\$5,212,000
Field	37,711,000	40,499,000	42,167,000
11 Total personnel compensation	42,134,000	45,574,000	47,379,000
12 Personnel benefits	5,391,000	6,331,000	6,698,000
13 Benefits for former personnel	<u>170,000</u>	<u>113,000</u>	<u>117,000</u>
Total pers. comp. & benefits	<u>47,695,000</u>	<u>52,018,000</u>	<u>54,194,000</u>
Other Objects:			
21 Travel	1,033,000	1,020,000	1,022,000
22 Transportation of things	401,000	405,000	386,000
23.1 Building Rental	3,692,000	5,238,000	5,412,000
23.2 Communications, utilities, and misc. charges	21,441,000	32,822,000	36,011,000
24 Printing and reproduction	695,000	840,000	869,000
25 Other services	34,146,000	29,151,000	27,279,000
26 Supplies and materials	5,353,000	6,893,000	7,292,000
31 Equipment	15,404,000	23,039,000	24,288,000
43 Interest and dividends.	15,000	1	1
92 Depreciation	<u>9,309,000</u>	<u>10,736,000</u>	<u>11,544,000</u>
Total other objects	<u>91,489,000</u>	<u>110,145,000</u>	<u>114,104,000</u>
Total	<u>139,184,000</u>	<u>162,163,000</u>	<u>168,298,000</u>

Position Data:

Average Salary, ES positions	\$70,440	\$73,328	\$74,795
Average Salary, GM/GS positions	\$27,187	\$28,546	\$29,117
Average Grade, GM/GS positions	7.61	7.73	7.89

WORKING CAPITAL FUND

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Working Capital Fund

An amount of [\$4,708,000] \$3,750,000 is hereby appropriated to the Departmental Working Capital Fund to increase the Government's equity in this fund and to provide for the purchase of automated data processing, data communication, and other related equipment necessary for the provision of Departmental centralized services to the agencies.

WORKING CAPITAL FUNDAppropriation:

Appropriations Act, 1989	\$4,708,000
Budget Estimate, 1990	<u>3,750,000</u>
Decrease in Appropriation	<u>- \$958,000</u>

Program Activity:

Operating Estimate, 1989	\$139,397,000
Budget Estimate, 1990	<u>144,313,000</u>
Increase Over 1989	<u>+\$4,916,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Capitalization of the Fund..	\$4,708,000	\$-958,000	\$3,750,000

JUSTIFICATION OF INCREASES AND DECREASES1. A decrease of \$958,000 for the capitalization of the Fund.

Need for Change. In FY 1985 USDA and the Congress began a multi-year effort to recapitalize the Fund. The multi-year program, which will conclude in FY 1990, enables the Fund to finance those large-scale acquisitions of large-scale data processing equipment needed to assist agencies in program management and service delivery. It was originally conceived as a \$40,000,000 recapitalization effort.

Nature of Change. The FY 1990 request for \$3,750,000 (a decrease of \$958,000 from the FY 1989 level) will complete full funding of the program in real (1985) dollars. The funds will support acquisition of mainframe computer assets and related equipment to support high-volume, large-scale data processing needs of USDA agencies at the National Computer Centers and the National Finance Center.

PROJECT STATEMENT

(On basis of current appropriation)

Project	: <u>1988 Actual</u>	: <u>1989 Estimated</u>	: <u>1990 Estimated</u>
	: <u>Staff:</u>	: <u>Staff:</u>	: <u>Staff:</u>
	: <u>Amount</u>	: <u>Years</u>	: <u>Years</u>
1. Capitalization of the Fund	: \$5,708,000	: 0	: 0
Total available or estimate.....	: 5,708,000	: 0	: 0

EXPLANATION OF PROGRAM

The appropriation for the Working Capital Fund supports efforts to recapitalize the Fund activities authorized in the Appropriations Act of 1944 and 7 U.S.C. 2235, and approved by the Director, Office of Management and Budget. The activities carried out under the appropriation include the purchase of large-scale ADP assets needed to

Working Capital Fund

SUMMARY OF INCREASES AND DECREASES
(Program Activity)

Item of Change	1989 Estimated	Program Changes	1990 Estimated
1. Supply and Other Cent. Serv.....	\$13,604,000	+\$529,000	\$14,133,000
Central Supply Stores	1,765,000	+60,000	1,825,000
Central Supply Forms	2,446,000	+96,000	2,542,000
Mail Distribution Service	2,398,000	+75,000	2,473,000
Executive Corresp. & Records	503,000	+13,000	516,000
Agri. Contract Auto. System	213,000	+4,000	217,000
Central Shipping & Receiving	346,000	+16,000	362,000
Central Excess Property	1,772,000	+51,000	1,823,000
Central Imprest Fund	117,000	+2,000	119,000
Copier/Duplication Center	4,044,000	+212,000	4,256,000
2. Video & Teleconferencing, and Visual Design Services	2,869,000	+55,000	2,924,000
Video and Teleconferencing	953,000	+50,000	1,003,000
Visual Design Services	1,916,000	+5,000	1,921,000
3. National Finance Center	63,710,000	+4,358,000	68,068,000
4. ADP Services	59,214,000	-26,000	59,188,000
Nat'l. Computer Ctr./Ft. Collins	20,442,000	+1,636,000	22,078,000
Nat'l. Computer Ctr./Kansas City	36,209,000	-1,592,000	34,617,000
Computer Services Unit	1,104,000	+28,000	1,132,000
Telephone Service Oper.	793,000	+19,000	812,000
Local Area Network	666,000	-117,000	549,000
Total Recurring Operations	\$139,397,000	+\$4,916,000	\$144,313,000
Capital Equipment Acquisitions	22,766,000	+1,219,000	23,985,000
Total	162,163,000	+6,135,000	168,298,000

PROJECT STATEMENT
(On basis of program activity)

Project	1988		1989 (Estimated)		Increase or Decrease	1990 (Estimated)	
	Amount	Staff- Years	Amount	Staff- Years		Amount	Staff- Years
1. Supply & Other Central Serv...	\$ 10,245,000	139	\$ 13,604,000	150	+\$ 529,000	\$ 14,133,000	150
Central Supply Stores	1,477,000	6	1,765,000	7	+ 60,000	1,825,000	7
Central Supply Forms	1,562,000	4	2,446,000	8	+ 96,000	2,542,000	8
Mail Distribution Service	1,963,000	68	2,398,000	70	+ 75,000	2,473,000	70
Executive Corresp. & Records	384,000	10	503,000	12	+ 13,000	516,000	12
Agri. Contract Auto. System	136,000	2	213,000	2	+ 4,000	217,000	2
Central Shipping & Receiving	271,000	1	346,000	1	+ 16,000	362,000	1
Central Excess Property	1,223,000	9	1,772,000	10	+ 51,000	1,823,000	10
Central Imprest Fund	82,000	3	117,000	4	+ 2,000	119,000	4
Copier/Duplication Center	3,147,000	36	4,044,000	36	+ 212,000	4,256,000	36
2. Video & Teleconferencing, and Visual Design Services.....	2,882,000	22	2,869,000	24	+ 55,000	2,924,000	26
Video and Teleconferencing	1,084,000	10	953,000	11	+ 50,000	1,003,000	12
Visual Design Services	1,798,000	12	1,916,000	13	+ 5,000	1,921,000	14
3. Office of Finance & Mgmt.....	60,864,000	1,190	63,710,000	1,238	+ 4,358,000	68,068,000	1,251
4. ADP Services	50,591,000	173	59,214,000	202	- 26,000	59,188,000	206
Nat'l. Comp. Ctr./Ft. Collins	13,126,000	64	20,442,000	69	+ 1,636,000	22,078,000	73
Nat'l. Comp. Ctr./Kansas City	35,328,000	101	36,209,000	124	- 1,592,000	34,617,000	124
Computer Services Unit	882,000	8	1,104,000	9	+ 28,000	1,132,000	9
Telephone Service Oper.	816,000	0	793,000	0	+ 19,000	812,000	0
Local Area Network	439,000	0	666,000	0	- 117,000	549,000	0
Total Recurring Operations	124,582,000	1,524	139,397,000	1,614	+ 4,916,000	\$144,313,000	1,633
Capital Equipment Acquisition	14,602,000	0	22,766,000	0	+ 1,219,000	\$ 23,985,000	0
Total	\$139,184,000	1,524	\$162,163,000	1,614	+\$6,135,000	\$168,298,000	1,633

FUNDING FROM NON-USDA SOURCES
(On basis of program activity)

Project	1988		1989 (Estimated)		Increase or Decrease	1990 (Estimated)	
	Amount	Staff- Years	Amount	Staff- Years		Amount	Staff- Years
1. Supply & Other Central Serv..	\$ 400,000	0	\$ 1,484,000	0	+\$ 54,000	\$ 1,538,000	0
2. Video & Teleconferencing, and Visual Design Services..	20,000	0	20,000	0	+ 1,000	21,000	0
3. National Finance Center.....	12,951,000	90	15,637,000	263	+ 1,447,000	17,084,000	283
4. ADP Services.....	2,462,000	0	7,226,000	0	+ 2,187,000	9,413,000	0
Total	\$ 15,833,000	90	\$24,367,000	263	+ 3,689,000	\$ 28,056,000	283

WORKING CAPITAL FUND

Explanation of Program

Authorized under Public Law 78-129, making appropriations to USDA for FY 1944 (7 U.S.C. 2235), the USDA Working Capital Fund finances services provided to USDA agencies on a centralized basis. Under the law, only activities approved by the Director of the Office of Management and Budget (OMB) may be carried out under the Fund. Centralization is recommended by the Department and approved by OMB when:

- Centralization will result in cost savings due to:
 - Economies of scale
 - Reduced overhead
 - Central cost-based management
 - Coordination which avoids duplication of effort among agencies
- Centralization offers other advantages such as:
 - Improved services to agencies and to the public
 - Availability of services to agencies which could not afford them except on a centralized basis
 - Ability to replace equipment on a long-term basis through the use of depreciation charges to users

The Fund received an initial appropriation of \$400,000 for FY 1944. Over the years, additional working capital has been made available through initial transfers into the Fund of activities meeting the above criteria and through Congressional authorizations to receive growth capital from serviced USDA agencies. For FY 1989 the Fund received an appropriation of \$4,708,000 for capital procurement. These funds will be used to purchase new or currently leased equipment for Fund activity centers to provide requested services to agencies of the Department. This investment will avoid lease costs over the useful life of the equipment and result in lower unit costs for central services provided to these users. We are requesting an additional \$3,750,000 in appropriated support in FY 1990 to complete the capital restoration effort begun in FY 1985.

WCF operations are financed by charging user agencies the actual costs of providing required services. The following are services financed through the Fund:

Supply and Other Central Services. The Office of Operations manages the following services under this category: (a) central supply, which provides for the acquisition, receipt, storage, issuance, packing, and shipment of office and other supplies, blank forms, and miscellaneous materials for the Department and other Government agencies; (b) central mail services, which include operation of the USDA mail processing, messenger, and automated mailing list services; (c) executive correspondence and records system, which provides referral and correspondence control services for mail addressed to the Secretary, the immediate Office of the Secretary, and the Department; (d) central excess property, which coordinates receipt, rehabilitation, and distribution of personal property for the Department and other Government agencies; (e) central shipping and receiving services; (f) central imprest fund, which provides cash advances for small purchases and travel; (g) automated contract system used by agencies and staff offices to prepare procurement documents; and (h) copier and duplicating services which provide duplicating, reproducing, binding, addressing and mailing, and short-order and walk-up copier stations for duplicating and xerographic production.

Video and Teleconferencing, & Visual Design Services. These activities, managed by the Office of Governmental and Public Affairs plan, design, and produce visual information materials, exhibits, art, and graphics materials for the Department and other Government agencies.

National Finance Center. This activity in the Office of Finance and Management designs, develops, implements, and operates centralized administrative systems for the Department. Centralized payroll, personnel, voucher and vendor payments, billings and collections, property management, accounting, and financial recordkeeping systems are currently provided. It also produces external financial reports to Treasury and other agencies, and internal management reports for Departmental agencies. In addition, the National Finance Center provides financial and accounting services to a number of other Federal Departments through "cross-servicing" agreements and serves as recordkeeper for the Thrift Savings Plan System under the Federal Employee Retirement System.

Automated Data Processing (ADP) Services. This activity in the Office of Information Resources Management operates the National Computer Centers in Fort Collins, Colorado; and Kansas City, Missouri, to provide ADP services to USDA and other agencies. The Computer Services Unit, which provides ADP services to Departmental Staff Offices and the Office of the Secretary; the Telephone Service Operation office, which coordinates the maintenance and operation of telephone equipment for Washington-area USDA offices; and the Local Area Network office, which provides telecommunications service and support for Washington-area USDA offices, are also managed by the Office of Information Resources Management.

JUSTIFICATION OF INCREASES AND DECREASES

Centralized administrative services enable users to receive high-quality services at the lowest possible cost of operation. Operating services in this manner has resulted in a trend toward minimizing unit costs (measured in constant dollars) for recurring operations in recent years. Expectations of further progress in minimizing unit costs, as well as expected increases in USDA and non-USDA demand for Fund-supported services serve as the basis for the FY 1989 revised and FY 1990 initial Working Capital Fund (WCF) cost estimates.

Centralized administrative services are subject to regular oversight consistent with both Administration management initiatives and Departmental productivity improvement activities. This oversight is undertaken to determine whether these activities should continue as centrally managed services and offers Departmental management analyses of alternative operating methods. Enhanced productivity and cost-effectiveness result. The results of such oversight exercised in FY 1988 are reflected in the revised FY 1989 and initial FY 1990 cost estimates provided. As regular oversight is conducted, these estimates may be adjusted significantly, subject to review and approval by Departmental management.

The following is an explanation of program activity changes from FY 1989 to FY 1990 currently anticipated.

1. An increase of \$529,000 for recurring operations of Supply and Other Central Services consisting of:

Central Supply Stores	+\$	60,000
Central Supply Forms	+	96,000
Mail Distribution Service	+	75,000
Executive Correspondence and Records	+	13,000
Agriculture Contract Automation System	+	4,000
Central Shipping and Receiving	+	16,000
Central Excess Property Operation	+	51,000
Central Imprest Fund	+	2,000
Copier/Duplication Center	+	212,000
Total	+\$	529,000

Need for Change. Generally, FY 1990 increases offset inflation and the increase of up-to-date equipment use so that activities under this category can more efficiently respond to service requirements. Affected activities include Copier/Duplication Center, Central Supply Forms, Mail Distribution Service, Central Shipping and Receiving, and Central Excess Property Operation. The increase in equipment-related expenses is in response to increases in service demand.

Nature of Change. Non-inflationary cost increases reflect expectation of increases in demand for services and cost adjustments based on changes in FY 1989 procurement plans. Equipment-related expenses are the primary non-inflationary increase in five of the activities under this category. Copier/Duplication Service increases reflect increased USDA demand for services and adjustments based on purchases made in FY 1989. Equipment-related expense increases in Central Supply Forms provide inventory management equipment to support the President's Council on Management Improvement Shared Warehousing Initiative. Increases in equipment-related expenses for the remaining activities are due to changes in FY 1989 procurement plans.

2. An increase of \$55,000 for recurring operations of Video and Teleconferencing, and Visual Design Services consisting of:

Video and Teleconferencing Services	+\$	50,000
Design Services	+	5,000
Total	+\$	55,000

Need for Change. Cost increases are primarily inflationary. The exceptions are for increased use of up-to-date video equipment necessary to maintain service quality in this activity.

Nature of Change. Modern, state-of-the-art services will continue to be provided to respond to customer requirements.

3. An increase of \$4,358,000 for recurring operations of the National Finance Center (NFC).

Need for Change. Non-inflationary operating cost increases are directly related to expectation of increased workload demand, particularly among non-USDA users of NFC services. To the extent such increases are due to these users, they will be paid by those non-USDA agencies using NFC services. With non-USDA agencies bearing all of the incremental variable costs and the portion of fixed costs attributable to their increased demand for services, the effect will be to reduce the share of fixed costs paid by USDA agencies and unit costs of service (in constant dollars) paid by those agencies. Other costs reflect expected inflationary increases.

Nature of Change. NFC operating cost increases in FY 1990 will be in the areas of ADP rental charges, equipment usage costs, and other services. These increases reflect the additional equipment usage necessary to process greater workload demand, and system security measures to reduce NFC's vulnerability to disasters and their effects on database management and equipment operation.

4. A net decrease of \$26,000 for recurring operations of ADP systems consisting of:

National Computer Center/Fort Collins	+\$	1,636,000
National Computer Center/Kansas City	-	1,592,000
Computer Services Unit	+	28,000
Telephone Service Operations	+	19,000
Local Area Network	-	117,000
Total	-\$	26,000

Need for Change. Increased non-USDA activity in the National Computer Centers accounts for most of the noninflationary cost increase for ADP services in FY 1990. To the extent non-USDA activity results in cost increases for ADP services, such costs will be borne by those non-USDA agencies commensurate with the volume of service received. Remaining cost increases are inflationary.

Nature of Change. Cost increases at the National Computer Center/Fort Collins are in the areas of ADP rent, ADP services, and supplies, with lesser increases in personnel and non-capitalized equipment. These increases are the result of expectations of increased demand for services under custom or special agreements with non-USDA agencies. At the National Computer Center/Kansas City, cost increases are mainly in ADP rent, and are partially offset by cost reductions in transportation of things, contract services, and other services.

These reductions are due to completion of the transitional period from separate computer centers in Kansas City and Washington to a consolidated center in Kansas City.

5. An expenditure of \$23,985,000 for capital acquisitions in FY 1990 which is an increase of \$1,219,000 over the FY 1989 acquisition level of \$22,766,000 as follows:

This level of funding for equipment acquisition assumes the use of the \$3,750,000 appropriation requested for additional capitalization of the Fund in FY 1990.

- (1) Capital acquisitions for Supply and Other Central Services of \$824,000.

Central Supply Forms	+\$ 115,000
Mail Distribution Service	+ 53,000
Central Shipping and Receiving	+ 7,000
Central Excess Property Operation	+ 13,000
Copier/Duplication Center	+ 636,000
Total	+\$ 824,000

Need for Change. Resources for these activities are needed to improve operational efficiency of supply management activities as well as replace obsolete equipment.

Nature of Change. Resources for supply management will be used to automate supply storage functions. Equipment in copier services replaces and upgrades current assets in order to respond to increasing demand for walk-up and short turnaround copier services. Resources for other activities replaces current equipment needing frequent maintenance.

- (2) Capital acquisitions for Video and Teleconferencing, and Visual Design Services of \$165,000.

Video and Teleconferencing Serv.	+\$ 165,000
Total	+\$ 165,000

Need for Change. Equipment acquisitions are necessary to replace obsolete equipment which has become unreliable and subject to frequent breakdowns.

Nature of Change. Video equipment will be obtained to maintain standards of quality for video production services.

- (3) Capital acquisitions for the National Finance Center of \$13,045,000.

Need for Change. The additional capital equipment is needed to meet projected workload requirements, provide improved system reliability, and allow for continued expansion of service to USDA and non-USDA agencies.

Nature of Change. Mainframe computer and supporting equipment is needed to respond to increasing demand for routine system operation and for system development activities.

- (4) Capital acquisitions for ADP Services of \$9,951,000.

National Computer Ctr./Ft. Collins	+\$ 3,149,000
National Computer Ctr./Kansas City	+ 6,734,000
Computer Services Unit	+ 68,000
Total	+\$ 9,951,000

Need for Change. Increases at the National Computer Centers and Computer Services Unit are needed to further modernize equipment to provide more efficient service and provide

adequate processing capacity to meet expected workload demand.

Nature of Change. Mainframe computer upgrades and peripheral equipment for the National Computer Center/Kansas City are needed to respond to increasing workload and storage capacity requirements. Equipment upgrades at the National Computer Center/Fort Collins and the Computer Services Unit are directly related to workload increases, necessitating installation of increased memory capacity and other equipment upgrades.

Working Capital Fund
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1988 and Estimated 1989 and 1990

	<u>1988</u>		<u>1989</u>		<u>1990</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
Colorado	13,703,000	64	23,034,000	69	25,227,000	73
District of Columbia	14,649,000	173	18,532,000	183	18,468,000	185
Louisiana	66,902,000	1,182	72,227,000	1,230	80,595,000	1,243
Maryland	1,587,000	4	2,533,000	8	2,657,000	8
Missouri	42,343,000	101	45,837,000	124	41,351,000	124
Total, Available or Estimate	139,184,000	1,524	162,163,000	1,614	168,298,000	1,633

RENTAL PAYMENTS AND BUILDING OPERATIONS

Purpose Statement

This account finances the appropriated portion of payments to the General Services Administration (GSA) for rental of leased space and related services. Funding is not provided for payments to GSA made by the Forest Service, since the Forest Service is funded in the Interior and Related Agencies Appropriations Act.

This account also finances operations and maintenance activities under authorities delegated to the Department by GSA. On October 1, 1984, GSA delegatd authority to USDA to operate, maintain, repair and make minor improvements to the USDA downtown D.C. building complex, which encompasses 14.1 acres of ground and four buildings containing approximately three million square feet of space occupied by approximately 8,000 employees. On October 1, 1986, GSA expanded the delegation of authority to include two additional buildings. The first is the Warehouse for forms in Lanham, Maryland, and the second is the warehouse for the excess property operation located at 49 L St., S.W., Washington, D.C.

As of September 30, 1988, there were 66 permanent full-time employees assigned to the operations and maintenance activities financed by this account. All were located in Washington, D.C.

Rental Payments and Building Operations and Maintenance
Available Funds and Staff-Years

1988 Actual and Estimated 1989 and 1990

Item	1988		1989		1990	
	Actual		Estimated		Estimated	
	Amount	Staff: Years	Amount	Staff: Years	Amount	Staff: Years
Rental Payments to GSA.....	\$48,857,411	- -	\$49,467,000	- -	\$50,659,000	- -
Building Operations:	20,112,000	63	21,297,000	69	23,609,000	69
Total, Appropriation.....	68,969,411	63	70,764,000	69	74,268,000	69
Obligations under other USDA Appropriations:						
Overtime utilities and miscellaneous services.....	2,393,577	- -	1,786,000	- -	1,786,000	- -
Total, Rental Payments and Building Operations and Maintenance.....	\$71,362,988	63	\$72,550,000	69	\$76,054,000	69
Full-Time Equivalent Staff-Years:	1988 Actual		1989 Estimated		1990 Estimated	
Ceiling.....	63		69		69	
Non-Ceiling.....	5		5		5	
Total	68		74		74	

BUILDING OPERATIONS AND MAINTENANCE
Permanent Positions by Grade and Staff-Year Summary
1988 and Estimated 1989 and 1990

	1988	1989	1990
Grade	Headquarters/Total	Headquarters/Total	Headquarters/Total
GM-15	1	1	1
14	4	5	5
13	9	10	11
GS-12	9	10	9
11	2	4	5
9	1	3	2
8	--	--	2
7	5	4	3
6	3	2	5
5	5	6	3
4	4	3	2
3	2	--	--
Ungraded positions.	21	21	21
Total Permanent Positions	66	69	69
Staff-Years			
Ceiling	63	69	69
Non-ceiling	5	5	5
TOTAL	68	74	74

RENTAL PAYMENTS AND BUILDING OPERATIONS AND MAINTENANCE

CLASSIFICATION BY OBJECTS1988 and Estimated 1989 and 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Personnel Compensation:			
Headquarters	\$ 2,384,112	\$2,496,000	\$2,530,000
11 Total personnel compensation	2,384,112	2,496,000	2,530,000
12 Personnel benefits	316,562	285,000	277,000
13 Benefits for former personnel	<u>1,195</u>	<u>1,000</u>	<u>1,000</u>
Total Personnel Comp. and			
Benefits	<u>2,701,869</u>	<u>2,782,000</u>	<u>2,808,000</u>
Other Objects:			
21 Travel	8,000	4,000	4,000
22 Transportation of things ..	1,000	4,000	4,000
23.1 Standard Level User Charges.	45,857,311	46,467,000	47,659,000
23.3 Communications, utilities			
and other rent	2,559,570	6,377,000	6,607,000
24 Printing and reproduction ..	10,576	18,000	19,000
25 Other services	16,230,550	14,482,000	16,514,000
26 Supplies and materials	261,012	215,000	223,000
31 Equipment	84,000	158,000	164,000
32 Land and Structures	239,000	252,000	261,000
43 Interest and Penalty	<u>594</u>	<u>5,000</u>	<u>5,000</u>
Total other objects	<u>65,251,613</u>	<u>67,982,000</u>	<u>71,460,000</u>
Total direct obligations	<u>\$67,953,482</u>	<u>\$70,764,000</u>	<u>\$74,268,000</u>

Position Data:

Average Salary, GM/GS positions	\$35,060	\$36,174	\$36,667
Average Grade, GM/GS positions	9.49	10.17	10.40

RENTAL PAYMENTS AND BUILDING OPERATIONS AND MAINTENANCE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rental Payments (USDA)

For payment of space rental and related costs pursuant to Public Law 92-313 for programs and activities of the Department of Agriculture which are included in this Act, \$50,659,000 of which \$3,000,000 shall be retained by the Department of Agriculture for non-recurring repairs as determined by the Department of Agriculture: Provided, That in the event an agency within the Department of Agriculture should require modification of space needs, the Secretary of Agriculture may transfer a share of that agency's appropriation made available by this Act to this appropriation, or may transfer a share of this appropriation to that agency's appropriation, but such transfers shall not exceed 10 percentum of the funds made available for space rental and related costs to or from this account.

Building Operations and Maintenance

For the operation, maintenance, and repair of Agriculture buildings pursuant to the delegation of authority from the Administrator of General Services authorized by 40 U.S.C. 486, [~~\$21,297,000~~] \$23,609,000.

RENTAL PAYMENTS AND BUILDING OPERATIONS AND MAINTENANCE

Appropriations Act, 1989	\$71,956,000
Budget Estimate, 1990	74,268,000
Increase in Appropriation	<u>+2,312,000</u>

Adjustments in 1989:

Appropriations Act, 1989	\$71,956,000
Funds transferred to other agencies for leases transferred from GSA	<u>-1,192,000</u>
Adjusted Base for 1989	70,764,000
Budget Estimate, 1990	74,268,000
Increase from adjusted 1989	<u>+3,504,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Rental Payments to GSA.....	\$49,467,000	+\$1,192,000	\$50,659,000
Building Operations and Maintenance.....	21,297,000	+2,312,000	23,609,000
Total Available.....	<u>\$70,764,000</u>	<u>+\$3,504,000</u>	<u>\$74,268,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	:1988 Actual:		: 1989 Estimated :		Increases	: 1990 Estimated	
	: Amount	: Staff: : Years:	: Amount	: Staff: : Years:		: Amount	: Staff : Years
1. Rental							
Payments....	\$48,553,443	- -	\$49,467,000	- -	+\$1,192,000 (1)	\$50,659,000	- -
2. Building							
Operations & Maintenance..	19,400,039	63	21,297,000	69	+2,312,000 (2)	23,609,000	69
Unobligated balance							
lapsing.....	1,015,929	- -	- -	- -	- -	- -	- -
Total avail- able or esti- mate.....	\$68,969,411	63	\$70,764,000	69	+\$3,504,000	\$74,268,000	69
Transfer of security function from: OIG.....	-88,000	-3					
Transfer of leases from GSA to USDA agencies.....	+807,589		+1,192,000				
Total, approp- riation.....	69,689,000	60	71,956,000	69			

EXPLANATION OF PROGRAM

This appropriation provides funding for the following activities:

Rental Payments to GSA. The fiscal year 1983 Agriculture Appropriations Act (P.L. 97-370) consolidated most of the Department's rental payments paid to the General Services Administration (GSA) into a single appropriation. This activity does not provide funding to cover space costs incurred in other funding areas such as trust funds, the Working Capital Fund and other non-appropriated funds. The amount in this account represents only the appropriated portion of the total Departmental charges for rent payments paid to the GSA for all agencies and staff offices of the Department except the Forest Service. The fiscal year 1988 appropriation bill provided that \$3,000,000 of this appropriation should be retained by USDA for non-recurring repairs.

Building Operations and Maintenance. On October 1, 1984, GSA delegated the operations and maintenance function for the buildings in the D.C. complex to the Department. This activity provides Departmental staff and support services to operate, maintain and repair the buildings in the D.C. complex. GSA expanded the delegation to include two additional buildings on October 1, 1986. GSA retains responsibility for major non-recurring repairs.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$1,192,000 for rental payments to GSA.

Need for Change. The increase is for the rental payment rate increases as provided by GSA in selected geographic regions applied to the existing inventory of space that agencies will occupy through September 30, 1989, and net increases in space costs due to reclassification of space to a higher rate.

Nature of Change. The additional funds will partially cover GSA charges to the Department to maintain its inventory of 6.7 million square feet of space nationwide.

- (2) An increase of \$1,180,000 for building operations and maintenance to cover inflationary costs.

Need for Change. This increase will cover yearly pricing adjustments required by the Fair Labor Standards Act and the Service Contract Act, as well as other costs that will increase when building operations and maintenance contracts are renewed.

Nature of Change. This increase will permit continuation of the FY 1989 level of activity for USDA occupied space in the Washington, D.C. complex.

- (3) An increase of \$1,132,000 for the conversion of unused or underutilized space to special purpose or office use.

Need for Change. This increase will provide funds to convert previously unused or underutilized space to office space.

Nature of Change. This increase will permit a continuation of space conversions which ultimately are reflected as a savings to the government. Offsetting cost recovery, the anticipated savings to the government would be approximately \$30 per square foot, primarily, due to no longer paying for more expensive leased space elsewhere in the Washington metropolitan area.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 and Estimated 1989 and 1990

	1988		1989		1990	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Year
Washington, D.C.....	\$67,953,482	63	\$70,764,000	69	\$74,268,000	69

ADVISORY COMMITTEES

Purpose Statement

The Federal Advisory Committee Act (P.L. 92-463) was passed in 1972 to recognize that committees and similar groups provide a useful and beneficial means of furnishing expert advice to officers of the Federal Government. The Assistant Secretary for Administration is the principal Department Officer responsible for performing functions and coordinating activities of the Act.

The Agriculture, Rural Development and Related Agencies Appropriations Act of 1983 consolidated all USDA advisory committee funds, except those in the Forest Service and those paid from user fees, in a separate appropriation.

ADVISORY COMMITTEES

Available Funds and Staff-Years1988 Actual and Estimated 1989 and 1990

ITEM	1988		1989		1990	
	Actual		Estimated		Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
USDA Advisory Committees ...	\$1,308,000	14	\$1,294,000	14	\$1,394,000	14
National Comm. on Agric. & Rural Devel....	--		\$200,000		100,000	
Total, Advisory Committees ...	1,308,000	14	1,494,000	14	1,494,000	14

Full Time Equivalent Staff-Years:	1988 <u>Actual</u>	1989 <u>Estimated</u>	1990 <u>Estimated</u>
Ceiling.....	14	14	14
Non-Ceiling.....	--	--	--
Total.....	14	14	14

ADVISORY COMMITTEES
CLASSIFICATION BY OBJECTS
1988 and Estimated 1989 and 1990

	<u>1988</u>	<u>1989</u>	<u>1988</u>
Personnel Compensation:			
11 Total personnel compensation	\$380,855	\$476,000	\$538,000
12 Total personnel benefits	55,426	58,000	65,000
Total Personnel Comp. & Benefits	<u>436,281</u>	<u>534,000</u>	<u>603,000</u>
Other Objects:			
21 Travel	397,814	609,000	641,000
22 Transportation	1,370	4,000	4,000
23.2 Communication, utilities and other rents	3,692	15,000	17,000
24 Printing and reproduction ...	1,156	41,000	43,000
25 Other Services	111,528	267,000	259,000
26 Supplies and materials	10,605	16,000	19,000
31 Equipment	<u>5,267</u>	<u>8,000</u>	<u>8,000</u>
Total other objects	<u>531,232</u>	<u>960,000</u>	<u>891,000</u>
Total direct obligations	<u>\$967,513</u>	<u>\$1,494,000</u>	<u>\$1,594,000</u>
<u>Position Data:</u>			
Average Salary, GM/GS positions	\$27,204	\$33,264	\$38,429
Average Grade, GM/GS positions	10.36	10.39	10.77

ADVISORY COMMITTEES

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Advisory Committees:

For necessary expenses for activities of Advisory Committees of the Department of Agriculture and the National Commission on Agriculture and Rural Development which are included in this Act, \$1,494,000: Provided, That no other funds appropriated to the Department of Agriculture in this Act shall be available to the Department of Agriculture for support of activities of Advisory Committees.

ADVISORY COMMITTEES

Appropriation Act, 1989	\$1,494,000
Budget Estimate, 1990	<u>1,494,000</u>
Change in Appropriation	<u> --</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Change</u>	<u>1990 Estimated</u>
USDA Advisory Committees	\$1,494,000	--	\$1,494,000

PROJECT STATEMENT
(On basis of available funds)

	<u>1988 Actual</u>		<u>1989 Estimated</u>			<u>1990 Estimated</u>	
<u>Project</u>	<u>Amount</u>	<u>Staff: Years</u>	<u>Amount</u>	<u>Staff: Years</u>	<u>Change</u>	<u>Amount</u>	<u>Staff: Years</u>
Advisory Committees..	\$967,513	14	\$1,494,000	14	--	\$1,594,000	14
Unobligated Balance							
Lapsing....	340,487	--	--	--	--	--	--
Unobligated Balance							
Brought Forward....	-100,000		-100,000		--	-100,000	
Unobligated Balance							
Carried Forward.....	100,000		100,000		--	--	
Total, Appropriation.....	1,308,000	14	1,494,000	14	--	1,494,000	14

EXPLANATION OF PROGRAM

The appropriation provides for direction and financial support of all authorized Department of Agriculture advisory committee activities other than those included in the Forest Service or financed by user fees or other funds.

The Federal Advisory Committee Act (P.L. 92-463) was passed in 1972 to recognize that committees and similar groups provide a useful and beneficial means of furnishing expert advice to officers of the Federal Government. In establishing the Act, Congress declared that: committees should be restricted in number to only those essential to provide the necessary expert advice in specialty areas; uniform standards and procedures should govern the establishment, operation, administration and duration of the committees; and Congress should be kept informed of the number and cost of committees.

The FY 1983 Agriculture, Rural Development and Related Agencies Appropriations Act provided a consolidated account for this purpose. Under this consolidated account 36 committees are currently planned for fiscal year 1990. Fifteen are established by statute, and the remaining 21 are established by the Department, either independently, or upon the recommendation of Congress.

ADVISORY COMMITTEES

JUSTIFICATION OF INCREASES AND DECREASES

No increase is requested for this appropriation. However, the fiscal year 1990 appropriation includes programatic increases for several committees and the reserve for contingencies. These increases are offset by termination of several committees.

Estimates for the Department's Advisory Committees by major policy area follow.

USDA ADVISORY COMMITTEES

Policy Area and Committee Title	1988 actual	1989 estimate	1990 estimate
Food and Consumer Services:			
Nat'l Adv. Council on Child Nutrition.....	\$32,415	\$34,962	\$35,326
Nat'l Adv. Council on Maternal, Infant and Fetal Nutrition.....	36,372	31,039	40,210
Nat'l Adv. Council on Commodity Distribution....	4,149	56,617	77,341
Dietary Guidelines Advisory Committee....1/....	--	60,000	104,280
Total.....	<u>72,936</u>	<u>182,618</u>	<u>257,157</u>
Science and Education:			
Nat'l Ag. Res. & Exten. Users Adv. Board.....	177,305	215,900	221,200
National Arboretum Advisory Council.....	13,039	12,534	12,909
Human Nutrition Board of Scient. Counselors....	13,136	18,098	18,593
National Plant Genetic Resources Board.....	27,062	27,400	28,147
Policy Adv. Comm. for S&E Res. Grants Program..	14,880	20,200	20,800
Animal Health Science Research Advisory Board..	19,775	20,100	20,400
Cooperative Forestry Research Advisory Council.	30,500	31,200	31,700
Committee of Nine.....	36,700	32,800	33,300
Biotechnology Recombinant Advisory Committee...	69,881	117,700	121,000
Total.....	<u>402,278</u>	<u>495,932</u>	<u>508,049</u>
Marketing and Inspection Services:			
Grain Standards Act Advisory Committee.....	36,022	54,466	68,396
Nat'l Adv. Comm. of Meat & Poultry Inspection..	6,200	26,197	26,870
Nat'l Adv. Comm. on Microbiological Quality Standards for Food.....1/....	--	25,000	50,000
Advisory Committees on:			
Foreign Animal and Poultry Diseases.....	13,480	25,796	26,339
Swine Health Protection.....	12,370	9,300	9,570
Nat'l Adv. Comm. on Cotton Marketing.....	25,035	38,687	45,404
Gen. Conf. Comm. of the Nat'l. Poultry Improvement Plan.....	20,237	7,000	17,680
Plant Variety Protection Board.....	--	6,923	--
Nat'l Adv. Comm. on Animal Damage Control.....	29,376	38,100	38,950
Varroa Mite Neg. Rulemaking Advisory Committee.	--	29,000	--
Total.....	<u>142,720</u>	<u>260,469</u>	<u>283,209</u>
International Affairs and Commodity Programs:			
Agricultural Policy Adv. Comm. for Trade.....	14,000	14,170	14,810
Technical Adv. Comm for Trade in:			
Cotton.....	13,000	13,135	13,737
Fruits and Vegetables.....	13,000	13,135	13,737
Grain and Feed.....	14,000	14,170	14,810
Livestock and Livestock Products.....	14,000	14,170	14,810
Oilseeds and Oilseed Products.....	13,000	13,135	13,737
Poultry and Eggs.....	13,000	13,135	13,737
Tobacco.....	13,000	13,135	13,737
Dairy Products.....	13,000	13,135	13,737
Sweeteners.....	13,000	13,135	13,737
Processed Food.....	--	13,135	13,737
Agribusiness Promotion Council.....	--	23,700	24,430
Ag. Export Enhancement Advisory Group.....	750	--	--
Nat'l Adv. Panel on Ag. Futures & Options Mark.	43,245	--	--
Adv. Comm. to Eval. Management Improvement Proposals of USDA's Internat. Trade Act.....	--	6,000	--
Total.....	<u>176,995</u>	<u>177,290</u>	<u>178,756</u>
Small Community and Rural Development:			
Nat'l Adv. Council on Rural Development.....	67,615	40,960	--
Nat'l Comm. on Agriculture and Rural Devel....	--	199,040	100,000
Total.....	<u>67,615</u>	<u>240,000</u>	<u>100,000</u>
Economics:			
Nat'l Ag. Cost of Prod. Standards Review Board..	30,500	31,000	31,500
Departmental Administration:			
Citizen's Adv. Comm. on Equal Employment.....	74,469	73,066	75,212
New Requirements and Contingencies.....	--	33,625	60,117
Total, Advisory Committees.....	967,513	1,494,000	1,494,000

1/ These committees are jointly funded with the Department of Health and Human Services.

HAZARDOUS WASTE MANAGEMENT

Purpose Statement

This program is designed to promote facility compliance under the requirements of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and the Resource Conservation and Recovery Act (RCRA). These Acts require Federal agencies to meet the same standards for storage and disposition of hazardous wastes as private businesses. The funds provided for this program enable the Department to address problems posed by past uncontrolled hazardous waste disposal practices and to deal with the regulation of current hazardous substances.

A central fund has been established from which resources are allocated to USDA agencies according to priority of need. This approach permits the Department to correct compliance problems in a systematic manner.

HAZARDOUS WASTE MANAGEMENT

Available Funds and Staff-Years

1988 Actual and Estimated, 1989 and 1990

Item	1988 Actual	1989 Estimated	1990 Estimated
	Staff	Staff	Staff
	Amount	Amount	Amount
	Years	Years	Years
Total, Appropriation....	\$2,000,000: --	\$5,000,000: --	\$25,688,000: --

HAZARDOUS WASTE MANAGEMENT

CLASSIFICATION BY OBJECTS1988 and Estimated 1989 and 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Other Objects:			
21 Travel.....	--	13,000	--
25 Other services.....	348,811	6,242,729	25,688,000
26 Supplies and Materials.....	<u>395,460</u>	<u>--</u>	<u>--</u>
Total direct obligations.....	<u>744,271</u>	<u>6,255,729</u>	<u>25,688,000</u>

HAZARDOUS WASTE MANAGEMENT

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Hazardous Waste Management

For necessary expenses of the Department of Agriculture, except for expenses of the Commodity Credit Corporation, to comply with the requirement of section 107g of the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. 9607g and section 6001 of the Resource Conservation and Recovery Act, as amended, 42 U.S.C. 6961, [~~\$5,000,000~~] \$25,688,000, to remain available until expended: Provided, That appropriations and funds available herein to the Department of Agriculture for hazardous waste management may be transferred to any agency of the Department for its use in meeting all requirements pursuant to the above Acts on Federal and non-Federal lands.

HAZARDOUS WASTE MANAGEMENT

Appropriation Act, 1989	\$5,000,000
Budget Estimate, 1990	25,688,000
Increase in Appropriation.....	<u>+20,688,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1989 Estimated	Program Changes	1990 Estimated
Hazardous Waste Management.....	\$5,000,000	+\$20,688,000	+\$25,688,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1988 Actual		1989 Estimated:		Increase	1990 Estimated	
	Amount	Staff: Years:	Amount	Staff: Years:		Amount	Staff: Years:
Hazardous Waste Mgmt..	744,271	--	\$6,255,729	--	+\$19,432,271	\$25,688,000	--
Unobligated balance, start of year.....	--	--	-1,255,729	--	+1,255,729	--	--
Unobligated balance, end of year.....	\$1,255,729	--	--	--	--	--	--
Total							
Appropriation:	\$2,000,000	--	\$5,000,000	--	+\$20,688,000	\$25,688,000	--

EXPLANATION OF PROGRAM

This appropriation funds the Department's efforts to identify, assess, contain and clean up hazardous waste sites in areas covered by programs of the Department or within Departmental jurisdiction. These responsibilities were imposed on all Federal agencies by the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and the Resource Conservation and Recovery Act (RCRA).

Since the Department identified a number of hazardous waste sites requiring remedial action, a central fund was established in fiscal year 1988. Resources from this fund are allocated to Departmental agencies according to priority needs. The agencies receiving these funds in fiscal year 1989 are the Agricultural Research Service, the Agriculture Stabilization and Conservation Service, the Animal and Plant Health Inspection Service, the Farmers Home Administration, the Forest Service, the Rural Electrification Administration, and the Soil Conservation Service.

JUSTIFICATION OF INCREASES AND DECREASES

An increase of \$20,688,000 to undertake hazardous waste compliance activities associated with remediation of ground or surface water contamination under the CERCLA and with meeting underground storage tank requirements under the RCRA.

Need for Change. The Department's hazardous waste management program is intended to insure compliance with the applicable environmental laws. The Superfund Amendments and Reauthorization Act (SARA) established specific deadlines for completing the various phases of this work. The Federal Agency Hazardous Waste Compliance Docket is the Environmental Protection Agency's (EPA's) and the general public's mechanism for tracking individual project progress. USDA currently has 26 facilities listed on the Docket. The next Docket update will add an estimated 25 sites. In fiscal year 1990 the Department will give priority to meeting the requirements and deadlines of those facilities listed on the Docket.

The USDA fiscal year 1990 program will move toward completion of site discovery and identification, preliminary assessments, and site investigations for those sites currently not listed on the Docket, but which have the potential for inclusion. The CERCLA portion of the program will also include the design of cleanup strategies and cleanup at a limited number of sites where the work has progressed to these stages.

The following are the average estimated costs used in determining programs needs for the CERCLA requirements in FY 1990:

Preliminary assessment	\$15,000
Site Inspection	50,000
Remedial Investigation/Feasibility Study	500,000 and up

Therefore, we need approximately \$9.4 million more to continue to comply with CERCLA.

The RCRA portion of the program will be directed toward compliance with underground storage tank (UST) requirements. The Department has inventoried over 2,000 UST's. A majority of these tanks are old enough to require removal and replacement according to recently promulgated EPA regulations.

The estimated cost of retrofitting tanks is from \$5,000 to \$10,000. The estimated cost of tank replacement is \$25,000. However, experience has shown that 20 percent of tanks over 20 years old are probably leaking. Costs associated with cleanup of leaking tanks and contaminated soil and/or ground water increase dramatically. As an example, one site where approximately 2,000 gallons of leaded gasoline leaked from a tank is currently undergoing emergency cleanup. The cleanup costs to date are about \$165,000 and will likely be much higher. Therefore, we need approximately \$11.3 million more to continue to comply with RCRA requirements in fiscal year 1990.

Nature of Change. The request for fiscal year 1990 provides the primary agencies involved with the capability to continue a hazardous waste management program. For CERCLA facilities, the work will involve pre-remedial activities, which will include site investigations and analyses and the design and implementation of remedial activities at a limited number of sites. It is expected that because of the specialized training and expertise that is needed to conduct these types of activities, most of the work will be handled through contracting with qualified consulting firms.

For RCRA facilities, the work will primarily involve underground storage tank leak testing, monitoring, and tank repair or replacement as necessary. It will also provide for tank removals to help achieve the objectives of the Department's efforts to eliminate Government-owned fuel facilities.

Allocations to USDA agencies are shown below. The allocations for fiscal year 1990 are tentative based on current program status.

Current and Proposed Allocation of Funds
for Hazardous Waste Management
(In thousands of dollars)

USDA Agency	1989 estimate	1990 estimate
Agricultural Research Service.....	\$1,740	\$7,770
Agriculture Stabilization and Conservation Service.....	100	--
Animal and Plant Health Inspection Service	50	370
Farmers Home Administration.....	50	--
Food Safety and Inspection Service.....	--	30
Forest Service.....	2,700	17,288
Rural Electrification Administration.....	100	10
Soil Conservation Service.....	110	220
Contingencies.....	150	--
Total Allocations.....	<u>5,000</u>	<u>25,688</u>

OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRS

Purpose Statement

The Office of Governmental and Public Affairs was established pursuant to Secretary's Memorandum No. 1927, dated October 5, 1977, and the authority contained in 5 U.S.C. 301 and Reorganization Plan No. 2 of 1953 (7 U.S.C. 2201).

Governmental and Public Affairs serves as the central organization to insure consistency and coordination of the Department's public information and external affairs activities, to maintain liaison with the Congress and White House on legislative matters, and to maintain liaison with State and local governments.

The three major programs are:

1. Public Affairs. Provides direction, leadership and balance in the development and delivery of useful information through all media to the public on USDA's involvement in all areas of agriculture, including: research, educational and regulatory activities; nutrition, conservation and farm programs; forestry and international agriculture. It also serves as the focal point for liaison between the Department and the public, including the many associations and companies representing America's food and fiber system, with emphasis on policy education.
2. Congressional Relations. Maintains liaison with the Congress and the White House on legislative matters of concern to the Department and exercises responsibility for the coordination of all Congressional matters except budgetary affairs of the Department.
3. Intergovernmental Affairs. Directs and coordinates all programs involving the implementation of USDA policies and procedures applicable to the Department's intra and intergovernmental relations.

The Office of Governmental and Public Affairs also provides centralized services financed through the Working Capital Fund in the areas of video and film, design and exhibits and printing. The agency is located in Washington, D.C. As of September 30, 1988, there were 149 employees. Of this total, 142 were full-time permanent and 7 were other than full-time employees.

OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRS

Available Funds and Staff-Years1988 Actual and Estimated, 1989 and 1990

Item	1988 Actual	Staff: Years	1989 Estimated	Staff: Years	1990 Estimated	Staff: Years
Direct Appropriation...	\$8,673,000	127	\$8,859,000	132	\$9,068,000	133
Obligations Under Other						
<u>USDA Appropriations:</u>						
Agency Photo						
Service.....	510,650	--	535,000	--	560,000	--
Electronic Disimination:						
Information.....	119,350	--	125,000	--	127,000	--
Ag. Journalist						
Conferences.....	13,316	--	15,000	--	15,000	--
Admin. Support to						
Working Capital Fund..	49,000	2	49,000	2	50,000	2
Total, Reimbursements..	692,316	2	724,000	2	752,000	2
<u>Working Capital Fund:</u>						
Video & Teleconference						
and Visual Design						
Services.....	2,894,000	20	2,869,000	24	3,016,000	26
Total, Working Capital						
Fund.....	2,894,000	20	2,869,000	24	3,016,000	26
Total, Other USDA						
Appropriations.....	3,586,316	22	3,593,000	26	3,768,000	28
Total, Agriculture						
Appropriations.....	12,259,316	149	12,452,000	158	12,836,000	161
<u>Non-Federal Funds:</u>						
Sale of Photos & Slides..	9,000	--	9,000	--	9,000	--
Total, Office of Govern-						
mental and Public						
Affairs.....	\$12,268,316	149	\$12,461,000	158	\$12,845,000	161

Full-time Equivalent Staff-Years:	1988 Actual	1989 Estimated	1990 Estimated
Ceiling.....	149	158	161
Non-Ceiling.....	1	4	4
Total.....	150	162	165

OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRS

Permanent Positions by Grade and Staff-Year Summary
1988 and Estimated 1989 and 1990

	1988	1989	1990
GRADE :	Headquarters/Total ::	Headquarters/Total ::	Headquarters/Total
ES-4	2	2	2
ES-3	1	1	2
ES-2	1	2	1
ES-1	1	--	--
GS/GM-15 ..	12	13	14
GS/GM-14 ..	25	34	36
GS/GM-13 ..	23	21	19
GS-12	11	15	17
GS-11	11	10	11
GS-10	--	--	1
GS-9	9	13	15
GS-8	4	5	4
GS-7	22	24	20
GS-6	5	10	11
GS-5	8	2	2
GS-4	1	--	--
GS-3	--	--	--
Ungraded Positions.	6	6	6
Total, Permanent Positions.	142	158	161
Staff-Years:			
Ceiling...	149	158	161
Non-Ceiling.....	1	4	4
TOTAL	150	162	165

OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRSCLASSIFICATION BY OBJECTS1988 and Estimated 1989 and 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Personnel Compensation:			
11 Total personnel compensation.	\$5,131,780	\$5,514,000	\$5,684,000
12 Personnel benefits.....	643,190	699,000	732,000
13 Benefits for former personnel	10,524	13,000	12,000
Total Personnel Compensation and Benefits.....	<u>5,785,494</u>	<u>6,226,000</u>	<u>6,428,000</u>
Other Objects:			
21 Travel.....	133,086	146,000	126,000
22 Transportation of things....	682	5,000	5,000
23.3 Communications, utilities and other rent.....	520,114	546,000	546,000
24 Printing and reproduction...	835,997	781,000	823,000
25 Other services.....	1,092,165	1,010,000	974,000
26 Supplies and materials	118,066	91,000	91,000
31 Equipment.....	<u>147,771</u>	<u>54,000</u>	<u>75,000</u>
Total other objects.....	<u>2,847,881</u>	<u>2,633,000</u>	<u>2,640,000</u>
Total direct obligations.....	<u>8,633,375</u>	<u>8,859,000</u>	<u>9,068,000</u>
 <u>Position Data:</u>			
Average Salary, ES positions.....	\$71,029	\$72,057	\$74,880
Average Salary, GM/GS positions.....	\$37,611	\$38,461	\$39,330
Average Grade, GM/GS positions.....	10.81	11.00	11.06

OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRS

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Office of Governmental and Public Affairs

[Public Affairs]

For necessary expenses to carry on services relating to the coordination of programs involving public affairs, and for the dissemination of agricultural information and the coordination of information, work and programs authorized by Congress in the Department, [\$7,883,000] \$8,001,000 including employment pursuant to the second sentence of Section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), of which not to exceed \$10,000 shall be available for employment under 5 U.S.C. 3109, and not to exceed \$2,000,000 may be used for farmers' bulletins and not fewer than two hundred thirty-two thousand two hundred and fifty copies for the use of the Senate and House of Representatives of part 2 of the annual report of the Secretary (known as the Yearbook of Agriculture) as authorized by 44 U.S.C. 1301: Provided, that in the preparation of motion pictures or exhibits by the Department, this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225).

[Congressional Relations]

For necessary expenses for liaison with the Congress on legislative matters, [\$497,000] 588,000.

[Intergovernmental Affairs]

For necessary expenses for programs involving intergovernmental affairs, and liaison within the executive branch, \$479,000.

This change merges amounts appropriated to three separate accounts into a single appropriation. The Rural Development, Agriculture and Related Agencies Appropriation Act, 1989 established separate appropriation accounts for the Office of Governmental and Public Affairs.

The FY 1990 Budget proposes to reestablish a single appropriation for these activities, and identify the allotment for each individual activity as a line item within the Office.

OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRS

Appropriation Act, 1989	\$8,859,000
Budget Estimate, 1990	9,068,000
Increase in Appropriation	<u>+209,000</u>

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Increase</u>	<u>1990 Estimated</u>
Public Affairs.....	\$7,883,000	+\$118,000	\$8,001,000
Congressional Relations....	497,000	+91,000	588,000
Intergovernmental Affairs..	479,000	--	479,000
Total Available.....	<u>\$8,859,000</u>	<u>+\$209,000</u>	<u>\$9,068,000</u>

PROJECT STATEMENT

(On basis of appropriation)

	: 1988 Actual	: 1989 Estimated	: 1990 Estimated
	: Staff:	: Staff:	: Staff:
Project	: Amount	: Amount	: Amount
	: Years:	: Years:	: Years:
		Increase	
Public Affairs.....	\$7,696,904: 109	\$7,883,000: 114	+\$118,000(1)\$8,001,000: 114
Congressional Relations....	492,721: 11	497,000: 11	+ 91,000(2) 588,000: 12
Intergovernmental Affairs.....	443,750: 7	479,000: 7	-- 479,000: 7
Unobligated balance.....	39,625: --	--: --	--: --
Total available or estimate....	\$8,673,000: 127	\$8,859,000: 132	+\$209,000:\$9,068,000: 133

EXPLANATION OF PROGRAM

The appropriation for the Office of Governmental and Public Affairs funds the activities established pursuant to Secretary's Memorandum No. 1927, dated October 5, 1977, and the authority contained in 5 U.S.C. 301 and Reorganization Plan No. 2 of 1953 (7 U.S.C. 2201). The activities carried out are as follows:

-- Public Affairs - This activity provides direction, leadership and balance in the development and delivery of useful information through all media to the public on all USDA programs.

-- Congressional Relations - Maintains liaison with the Congress and the White House on legislative matters of concern to the Department and exercises responsibility for the coordination of all Congressional matters except Congressional appropriations.

-- Intergovernmental Affairs - Directs and coordinates programs involving the implementation of USDA policies and procedures applicable to the Department's intergovernmental affairs and relations with other Departments.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$118,000 for public affairs consisting of:(a) An increase of \$75,000 for replacement of outmoded technology.

Need for Change. Some Public Affairs units are still using dedicated word processors, a 10-year old technology that has been surpassed by personal computers and off-the-shelf software. Additional funds are needed to purchase personal computers that will bring Public Affairs up to the level of desktop microcomputer technology of other offices and agencies with which they communicate each day.

Nature of Change. OGPA would purchase 30 personal computers and printers. This equipment would replace outmoded word processing equipment and will link all divisions with a network that will provide internal access to files and data bases. These funds would enable this activity to realize all the advantages of the latest office automation technology.

(b) An increase of \$43,000 for increased printing and production costs associated with the Yearbook of Agriculture.

Need for Change. According to the Government Printing Office, there will be a substantial increase in the cost of paper. This and other operating increases will translate into increased production costs for the Yearbook.

Nature of Change. This increase will cover inflationary increases in paper and labor costs.

(2) An increase of \$91,000 for congressional relations activities (\$497,000 available in 1989).

Need for Change. Adequate staffing will be particularly important during FY 1990, when Congress will be deliberating on a new Farm Bill. Additional funds would permit the increase in staffing needed to adequately carry out the functions of this activity. At that time, it will be necessary to respond to the Congress and to the public on a variety of issues affecting all of the Department's major program areas.

Nature of Change. The requested funding will restore the staffing level which permitted a legislative officer to handle individually each Assistant or Under Secretary, in addition to three individual staff members assigned to handle clearance of Congressional testimony.

GEORAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 and Estimated 1989 and 1990

	1988		1989		1990	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Washington, D.C.	\$8,633,375	127	\$8,859,000	134	\$9,068,000	135

OFFICE OF THE INSPECTOR GENERAL

Purpose Statement

Pursuant to the Inspector General Act of 1978, (5 U.S.C. app. 3), the Office of the Inspector General:

- (1) provides policy direction and conducts, supervises and coordinates all audits and investigations;
- (2) reviews existing and proposed legislation and regulations and makes recommendations to the Secretary and Congress regarding the impact such initiatives will have on the economy and efficiency of the Department's programs and operations, and the prevention and detection of fraud and abuse in such programs;
- (3) recommends policies for and conducts, supervises or coordinates other activities in the Department whose purposes are to promote economy and efficiency or prevent and detect fraud and abuse;
- (4) recommends policies for and conducts, supervises or coordinates relationships between the Department and other Federal, State and local government agencies concerning: (a) promoting economy and efficiency; (b) preventing and detecting fraud and abuse; and (c) identifying and prosecuting people involved in fraud or abuse; and
- (5) keeps the Secretary and the Congress fully and currently informed about fraud, other serious problems, abuses and deficiencies in Department programs and operations, recommends corrective action, and reports on the progress made in correcting the problem.

The Office of the Inspector General is headquartered in Washington, D.C., and has regional offices in the following cities: New York, New York; Hyattsville, Maryland; Atlanta, Georgia; Chicago, Illinois; Temple, Texas; Kansas City, Missouri; and San Francisco, California. As of September 30, 1988, total employment was 867 including 844 full-time and 23 other employees. There were 221 employees located in Headquarters and 646 located in the field.

OFFICE OF THE INSPECTOR GENERAL

Available Funds and Staff-Years1988 Actual and Estimated, 1989 and 1990

Item	1988 Actual		1989 Estimated		1990 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Office of the Inspector General	\$48,795,000	835	\$50,510,000	850	\$52,530,000	860
Obligations under other						
USDA appropriations:	515,999	--	--	--	--	--
Total, other USDA						
Appropriations	515,999	--	--	--	--	--
Total, Agriculture						
Appropriations	49,310,999	835	50,510,000	850	52,530,000	
Other Federal Funds:						
Dept. of State.....	10,530	--	--	--	--	
U.S. Information Ag..	30,590	--	--	--	--	
Total Other Federal						
Funds	41,120	--	--	--	--	
TOTAL, OIG	49,352,119	835	50,510,000	850	52,530,000	860

Full-time Equivalent Staff-Years:	1988 Actual	1989 Estimated	1990 Estimated
Ceiling	835	850	860
Non-ceiling	36	30	30
Total	871	880	890

OFFICE OF THE INSPECTOR GENERAL

Permanent Positions by Grade and Staff-Year Summary
FY 1988 and Estimated FY 1989 and 1990

Grade	1988			1989			1990		
	Headquarters:	Field:	Total	Headquarters:	Field:	Total	Headquarters:	Field:	Total
Executive Level IV	1	--	1	1	--	1	1	--	1
ES 5	1	--	1	1	--	1	1	--	1
ES 4	3	--	3	3	--	3	3	--	3
ES 3	2	--	2	3	--	3	3	--	3
ES 2	--	--	--	1	--	1	1	--	1
GS/GM 15	14	13	27	13	13	26	13	13	26
GS/GM 14	37	31	68	37	33	70	37	33	70
GS/GM 13	54	110	164	50	117	167	50	117	167
GS-12	21	209	230	21	209	230	21	209	230
GS-11	17	65	82	17	57	74	17	57	74
GS-9	7	47	54	8	50	58	8	55	63
GS-8	4	--	4	4	--	4	4	--	4
GS-7	27	82	109	20	80	100	20	85	105
GS-6	9	22	31	9	18	27	9	18	27
GS-5	10	31	41	10	33	43	10	33	43
GS-4	8	13	21	5	13	18	5	13	18
GS-3	4	2	6	2	2	4	2	2	4
Total Permanent Positions:	219	625	844	205	625	830	205	635	840
Staff-Years:									
Ceiling	205	630	835	204	646	850	204	656	860
Non-ceiling	4	32	36	3	27	30	3	27	30
Total	209	662	871	207	673	880	207	683	890

CLASSIFICATION BY OBJECTS

1988 and Estimated 1989 and 1990

Personnel Compensation:	<u>1988</u>	<u>1989</u>	<u>1990</u>
Headquarters	\$6,688,141	\$6,779,000	\$6,996,000
Field	<u>23,520,425</u>	<u>23,841,000</u>	<u>24,717,000</u>
11 Total Personnel Compensation	30,208,566	30,620,000	31,713,000
12 Personnel Benefits	5,881,597	6,315,000	6,628,000
13 Former Personnel	<u>12,368</u>	<u>15,000</u>	<u>15,000</u>
Total Personnel Compensation			
Benefits	<u>36,102,531</u>	<u>36,950,000</u>	<u>38,356,000</u>
Other Objects:			
21 Travel	4,759,787	5,400,000	5,560,000
22 Transportation of Things ...	183,592	243,000	243,000
23.2 Rental payments to others ..	115,046	184,000	184,000
23.3 Communications, utilities			
and misc. charges	1,935,160	2,239,000	2,578,000
24 Printing and reproduction ..	98,606	158,000	158,000
25 Other services	3,759,789	3,716,000	3,801,000
26 Supplies and materials	714,245	650,000	660,000
31 Equipment	1,066,894	970,000	990,000
42 Insurance and Indemnities ..	4,908	--	--
43 Interest & Dividends	<u>910</u>	<u>--</u>	<u>--</u>
Total other objects	<u>12,638,937</u>	<u>13,560,000</u>	<u>14,174,000</u>
Total direct obligations	<u>48,741,468</u>	<u>50,510,000</u>	<u>52,530,000</u>
<u>Position Data:</u>			
Average Salary, ES positions	\$72,757	\$74,000	\$74,000
Average Salary, GM/GS positions	\$35,906	\$37,400	\$37,400
Average Grade, GM/GS positions	10.58	10.75	10.75

OFFICE OF THE INSPECTOR GENERAL

The estimate include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Office of the Inspector General

For necessary expenses of the Office of the Inspector General, including employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), [~~\$50,491,000~~] \$52,530,000 including such sums as may be necessary for contracting and other arrangements with public agencies and private persons pursuant to section 6(a)(8) of the Inspector General Act of 1978 (Public Law 95-452), and including a sum not to exceed \$50,000 for employment under 5 U.S.C. 3109; and including a sum not to exceed \$95,000 for certain confidential operational expenses including the payment of informants, to be expended under the direction of the Inspector General pursuant to Public Law 95-452 and section 1337 of Public Law 97-98.

OFFICE OF THE INSPECTOR GENERAL

Appropriation Act, 1989	\$50,491,000
Budget Estimate, 1990	52,530,000
Increase in Appropriation	<u>+2,039,000</u>

Adjustments in 1989

Appropriation Act	50,491,000
Transfer from DA for former GSA Space a/	<u>+19,000</u>
Adjusted base for 1989.....	50,510,000
Budget estimate, 1990	52,530,000
Increase over adjusted 1989	<u>+2,020,000</u>

a/ Funds were transferred in 1989 from the rental payments (USDA) account for leases reassigned by GSA to OIG in 1989.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Audit and Investigations	\$50,510,000	+\$2,020,000	\$52,530,000

PROJECT STATEMENT
(on basis of adjusted appropriation)

Project	1988 Actual Amount	Staff: Years:	1989 Estimated Amount	Staff: Years:	Increase (1)	1990 Estimated Amount	Staff: Years:
Audit and Investigations:	\$48,741,468:	835	\$50,510,00	850	+\$2,020,000:	\$52,530,000:	860
Unobligated	53,532:	--	--	--	--	--	--
Total Available.....							
or estimate.....	48,795,000:	835	50,510,000:	850	+\$2,020,000:	52,530,000:	860
Transfer from DA.....	-19,000:	--	-19,000:				
Total, appropriation...	<u>48,776,000:</u>		<u>50,491,000:</u>				

EXPLANATION OF PROGRAM

This appropriation funds the activities authorized by the Inspector General Act of 1978 (Public Law 95-452) enacted October 12, 1978. This Act expanded and provided specific authorities for the activities of the Office of the Inspector General which had previously been carried out under the general authorities of the Secretary of Agriculture. The Inspector General:

- conducts and supervises audits and investigations relating to programs and operations of the Department of Agriculture;
- provides leadership and coordination and recommends policies for activities designed (a) to promote economy, efficiency, and effectiveness, and (b) to prevent and detect fraud and abuse in programs and operations of the Department; and
- keeps the Secretary and the Congress fully informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action.

Pursuant to the Agriculture and Food Act of 1981, the Inspector General has authority to designate special agents to carry firearms while engaged in official duties under the Inspector General Act of 1978 such as: making arrests; executing warrants for arrests; searching of premises; and seizure of evidence while conducting investigations of suspected or alleged felony criminal violations involving USDA programs.

The following table shows the audits and investigations and the staff-years planned for each area for fiscal year 1989.

<u>Area</u>	<u>Audits/ Cases</u>	<u>Staff-Years of Effort</u>
Audit	645	500
Investigations	<u>1,556</u>	<u>350</u>
Total	<u>2,201</u>	<u>850</u>

GAO Reports

None.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of \$2,020,000 consisting of:

(a) An increase of \$600,000 and 10 staff-years.

Need for Change. The Department's success in ensuring the wholesomeness and quality of meat, poultry, dairy and grain products has an impact on the public's confidence in the quality of the nation's food supply. The media has increased the public's awareness of these issues creating additional pressure for OIG to investigate the programs. This is also true in the entitlement, insurance and loan areas.

Nature of Change. This increase will be used for investigative activities in the food inspection and grading programs and the Department's entitlement, insurance, and loan areas and to accept more of the cases requested by the FmHA and ASCS agency officials.

(b) An increase of \$932,000 for full funding of audit and investigations activities.

Need for Change. This increase would allow OIG to fully fund 860 staff-years. This funding level is essential to perform the audit and investigative work required by the Inspector General Act of 1978. New programs are constantly being added in the agencies of the Department which require OIG oversight. Also, OMB circulars A-127 and A-123 outlines specific actions to be taken by Inspectors General regarding Internal Controls and Financial Management System reviews.

Nature of Change. This increase would allow for more complete audit and investigative coverages of the Department's many diversified programs, which cost the taxpayers billions of dollars a year. OIG is responsible for monitoring and reporting to USDA Management, OMB, and the Congress on the implementation and operations of these programs.

(c) An increase of \$488,000 for inflation of non-salary expenses. This increase will provide additional funds for inflationary items, to cover nondiscretionary cost increases in such areas as workers' compensation, FTS and NFC charges; and to help maintain the current level of audit and investigative activity with emphasis on the prevention of fraud, waste and abuse in USDA programs.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS

1988 and Estimated 1989 and 1990

<u>Locations</u>	<u>FY 1988</u>		<u>FY 1989</u>		<u>FY 1990</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
California	\$4,695,796	92	\$4,849,000	94	\$5,043,000	95
District of Columbia	11,292,267	145	11,718,000	149	12,187,000	150
Georgia	7,243,259	125	7,526,000	126	7,827,000	127
Illinois	5,579,824	103	5,758,000	104	5,988,000	105
Maryland	5,053,331	94	5,203,000	96	5,411,000	98
Missouri	4,962,573	147	5,152,000	149	5,358,000	151
New York	1,742,249	35	1,818,000	36	1,891,000	37
Texas	8,172,169	94	8,486,000	96	8,825,000	97
Total Available or Estimate	48,741,468	835	50,510,000	850	52,530,000	860

OFFICE OF THE GENERAL COUNSEL

Purpose Statement

The Office of the General Counsel, which, prior to 1955, was known as the Office of the Solicitor, was established in 1910 (70 Stat. 742) as the law office of the Department of Agriculture.

The Office provides all essential and necessary legal advice and services for the Department's ongoing programs. The headquarters legal staff is divided into four sections: (1) Regulatory and Marketing; (2) International Affairs, Commodity Programs and Food Assistance Programs; (3) Community Development and Natural Resources; and (4) Legislation, Litigation, Research and Operations.

Geographic Location. The work of this office is carried out in Washington, D.C., and at twenty two field offices at the following locations:

Albuquerque, New Mexico	Little Rock, Arkansas
Atlanta, Georgia	Milwaukee, Wisconsin
Chicago, Illinois	Missoula, Montana
Columbus, Ohio	Montgomery, Alabama
Denver, Colorado	Ogden, Utah
Harrisburg, Pennsylvania	Portland, Oregon
Hato Rey, Puerto Rico	Raleigh, North Carolina
Jackson, Mississippi	Richmond, Virginia
Juneau, Alaska	San Francisco, California
Kansas City, Missouri	Stillwater, Oklahoma
Lincoln, Nebraska	Temple, Texas

As of September 30, 1988, the office had 359 employees of which 342 were permanent full-time employees and 17 were other employees. There were 155 permanent full-time employees and 10 other employees located in Washington, D.C., and 187 permanent full-time employees and 7 other employees in the field.

OFFICE OF THE GENERAL COUNSEL

Available Funds and Staff-Years1988 Actual and Estimated, 1989 and 1990

Item	1988		1989		1990	
	Actual		Estimated		Estimated	
	Amount	Staff: Years	Amount	Staff: Years	Amount	Staff: Years
Office of the General Counsel	\$18,734,000:	342	\$20,836,000:	383	\$22,340,000:	383
<u>Obligations under other</u>	:	:	:	:	:	:
<u>USDA appropriations:</u>	:	:	:	:	:	:
FS-Bernardi Case ...	9,025:	--	60,000:	1	60,000:	1
FS-Timber Sales	5,041:	--	60,000:	1	60,000:	1
Total, Other USDA Appropriations ...	14,066:	--	120,000:	2	120,000:	2
Total, Office of the General Counsel	18,748,066:	342	20,956,000:	385	22,460,000:	385

Full-time Equivalent Staff-Years:	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>1990 Estimated</u>
Ceiling	342	385	385
Non-Ceiling	1	3	3
Total	343	388	388

OFFICE OF THE GENERAL COUNSEL

Permanent Positions by Grade and Staff-Year Summary
1988 and Estimated 1989 and 1990

Grade	1988		1989		1990	
	Headquarters:	Field:Total	Headquarters:	Field:Total	Headquarters:	Field:Total
Executive Level IV	1	-- : 1	1	-- : 1	1	-- : 1
ES-6	1	-- : 1	1	-- : 1	1	-- : 1
ES-5	3	-- : 3	3	-- : 3	3	-- : 3
ES-4	4	-- : 4	4	-- : 4	4	-- : 4
ES-3	4	-- : 4	4	-- : 4	4	-- : 4
ES-2	1	-- : 1	1	-- : 1	1	-- : 1
ES-1	1	-- : 1	1	5 : 6	1	5 : 6
GS/GM-15	19	10 : 29	19	8 : 27	19	8 : 27
GS/GM-14	48	60 : 108	48	57 : 105	48	57 : 105
GS-13	21	18 : 39	21	18 : 39	21	18 : 39
GS-12	18	12 : 30	18	12 : 30	18	12 : 30
GS-11	19	10 : 29	19	10 : 29	19	10 : 29
GS-9	1	4 : 5	1	4 : 5	1	4 : 5
GS-8	6	7 : 13	6	7 : 13	6	7 : 13
GS-7	16	13 : 29	16	13 : 29	16	13 : 29
GS-6	7	23 : 30	7	23 : 30	7	23 : 30
GS-5	6	24 : 30	6	24 : 30	6	24 : 30
GS-4	6	22 : 28	6	22 : 28	6	22 : 28
GS-3	--	1 : 1	--	1 : 1	--	1 : 1
Total Permanent Positions	182	204 : 386	182	204 : 386	182	204 : 386
Staff-Years Ceiling	156	186 : 342	182	204 : 385	182	204 : 385
Non-Ceiling	--	1 : 1	1	2 : 3	1	2 : 3
TOTAL	156	187 : 343	183	206 : 388	183	206 : 388

OFFICE OF THE GENERAL COUNSEL

CLASSIFICATION BY OBJECTS1988 and Estimated 1989 and 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Personnel Compensation:			
Headquarters	\$7,245,046	\$7,911,000	\$8,027,000
Field	<u>6,684,905</u>	<u>7,300,000</u>	<u>7,406,000</u>
11 Total Personnel Compensation	13,929,951	15,211,000	15,433,000
12 Personnel Benefits	2,105,403	2,364,000	2,353,000
13 Benefits for former personnel	<u>10,979</u>	<u>11,000</u>	<u>11,000</u>
Total Pers. Comp. & Benefits	<u>16,046,333</u>	<u>17,586,000</u>	<u>17,797,000</u>
Other Objects:			
21 Travel	274,000	539,000	354,000
22 Transportation of things	7,034	40,000	15,000
23.2 Communications, utilities and other rent	784,719	905,000	1,210,000
24 Printing and reproduction ...	46,181	46,000	46,000
25 Other services	329,954	386,000	476,000
26 Supplies and materials	562,822	527,000	562,000
31 Equipment	642,649	807,000	1,880,000
43 Interest Penalty	<u>1,456</u>	<u>- -</u>	<u>- -</u>
Total Other Objects	<u>2,648,815</u>	<u>3,250,000</u>	<u>4,543,000</u>
Total Direct Obligations	<u>18,695,148</u>	<u>20,836,000</u>	<u>22,340,000</u>

Position Data:

Average Salary, ES positions	\$72,774	\$73,984	\$73,984
Average Salary, GM/GS positions	\$37,696	\$39,690	\$39,690
Average Grade, GM/GS positions	10.59	10.54	10.54

OFFICE OF THE GENERAL COUNSEL

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in bracket):

Office of the General Counsel:

For necessary expenses of the Office of the General Counsel, [\$20,836,000]
\$22,340,000.

OFFICE OF THE GENERAL COUNSEL

Appropriation Act, 1989	\$20,836,000
Budget Estimate, 1990	<u>22,340,000</u>
Increase in Appropriation	<u>+1,504,000</u>

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Change</u>	<u>1990 Estimated</u>
Legal Services	<u>\$20,836,000</u>	<u>+\$1,504,000</u>	<u>\$22,340,000</u>

PROJECT STATEMENT
(on basis of appropriation)

	: 1988 Actual	: 1989 Estimated	:	: 1990 Estimated
	: Staff:	: Staff:	:	: Staff
Project	: Amount	: Years: Amount	: Years: Increase	: Amount
	:	:	:	:
Legal Services	:\$18,695,148: 342	:\$20,836,000: 383	:\$1,504,000(1)	:\$22,340,000: 383
Unobligated	:	:	:	:
balance	: 38,852: - -	: - -	: - -	: - -
Total available :	:	:	:	:
or estimate ...:	: 18,734,000: 342	: 20,836,000: 383	: +1,504,000	: 22,340,000: 383

EXPLANATION OF PROGRAM

The General Counsel is the chief law officer of the Department and is responsible for providing legal services for all programs, operations, and activities of the Department. The General Counsel is assisted by a Deputy General Counsel and four Associate General Counsels, each of whom is responsible for a portion of the legal work of the Department. The functions of this Office are performed in the Washington office and in 22 field offices. The Law Library was transferred from the National Agricultural Library in 1982.

The field offices handle legal work relating to the activities of the Agricultural Stabilization and Conservation Service, Commodity Credit Corporation, Farmers Home Administration, Federal Crop Insurance Corporation, Forest Service, Soil Conservation Service, and the Food and Nutrition Service. By delegation of the General Counsel, legal work relating to other programs and activities of the Department may be handled by a field office.

Legal Advice. The Office of the General Counsel issues both formal and informal opinions on legal questions arising in the administration of the Department's programs; prepares or reviews administrative rules and regulations applicable to the public; drafts proposed legislation; prepares or interprets contracts, mortgages, leases, deeds, and similar documents; prepares patent applications arising out of inventions by Department employees; and considers and determines claims by and against the United States arising out of the Department's activities.

Administrative Proceedings. The Department is represented by the General Counsel in administrative proceedings for the promulgation of rules having the force and effect of law and in quasi-judicial hearings held in connection with the administration of various USDA programs.

Civil Litigation. Civil litigation arising out of the Department's work is handled by the Department of Justice, with the Office of the General Counsel assisting in the preparation and trial of such cases. The General Counsel represents the Secretary in administrative proceedings before the Interstate Commerce Commission involving freight rates on farm commodities and in appeals from the decisions of the Commission to the courts. By delegation, the Associate General Counsel for Legislation, Litigation, Research and Operations represents the Department in certain classes of cases before the United States Courts of Appeals.

Criminal Litigation. Criminal cases are reviewed for the purpose of referring them to the Department of Justice.

JUSTIFICATION OF INCREASES

(1) An increase of \$1,504,000 for office automation consisting of:

(a) An increase of \$1,024,000 for ADP equipment.

Need for Change. The Office of the General Counsel (OGC) presently has IBM displaywriters as the primary word processing equipment. While these machines are an improvement over typewriters they do not provide any meaningful automation capability in areas other than simple preparation of documents. More important, these machines are now obsolete; IBM has ceased manufacturing and marketing them, and they have become increasingly difficult and expensive to repair and maintain. Accordingly, OGC had no option other than to plan for an alternative to the displaywriters. In order to plan for this unavoidable changeover, the General Counsel appointed, in April 1987, a task force representing a broad cross section of OGC to study the issue of office automation and to make recommendations to him.

Those recommendations, incorporated into the fiscal year 1989 and 1990 budget requests, are that OGC acquire a comprehensive office automation system of IBM PC compatible personal computers available to each employee in Washington and in the twenty-two field offices. These personal computers will be linked together in Washington through the Department's existing local area network and through local area networks to be acquired for each field office. The OGC office automation system will also consist of a minicomputer, located in Washington, but accessible by all OGC employees, which will contain OGC wide records and an archive of significant OGC documents. In addition, a shared record and document storage facility (file server) will be maintained in each division or field office by using a separate and more powerful personal computer.

The system will provide faster word processing, electronic sharing of documents, recordkeeping, access to computerized legal research, and telecommunications among our 23 offices and between our offices and our client agencies and outside agencies such as the Department of Justice. Other than word processing, OGC has none of these capabilities presently. With them productivity and quality of work will increase within our authorized staffing level.

Nature of Change. With the fiscal year 1989 appropriation increase, OGC will acquire and install a portion of the office automation system. The budget as presented provides sufficient funds to complete the system in fiscal year 1990.

The reason for seeking to complete the acquisition of the office automation system in as short a time as possible is primarily because it is more cost effective to complete the system in one year than to procure it in a piecemeal fashion over several years. In addition, the sooner the system is complete, the sooner OGC will realize the benefits of the system -- increased productivity and holding the line on additional staff. The equipment, if purchased over several years, would have some use (primarily word processing), but it would not be used to its maximum benefit until the office-wide system is completed at the end of the procurement process.

- (b) An increase of \$480,000 to operate and maintain the office automation system.

Need for Change. In addition to the funds to procure the hardware and software, an office automation system requires funds to operate and maintain the system.

Nature of Change. The additional appropriations will be used to fully fund the operation and maintenance of the office automation system. Specifically the money will be used for additional attorney access to computerized legal research, telecommunications line charges, rental of additional telephone lines, ADP training, replacement and upgrade, software development, ADP supplies and equipment maintenance.

Office of the General Counsel
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 and Estimated 1989 and 1990

	1988		1989		1990	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama.....	\$178,424	5	\$196,000	4	\$196,000	4
Alaska.....	125,072	2	137,400	3	137,400	3
Arkansas.....	538,266	13	591,500	13	591,500	13
California.....	791,370	17	869,700	18	869,700	18
Colorado.....	587,611	13	645,800	15	645,800	15
District of Columbia...	10,596,917	156	11,936,000	181	13,440,000	181
Georgia.....	1,105,778	27	1,215,300	27	1,215,300	27
Illinois.....	397,157	9	436,500	10	436,500	10
Kansas	678,802	14	746,000	15	746,000	15
Mississippi.....	153,298	4	168,500	3	168,500	3
Montana.....	393,243	9	432,200	9	432,200	9
Nebraska.....	119,891	3	131,800	4	131,800	4
New Mexico.....	214,643	4	235,900	5	235,900	5
North Carolina.....	92,662	3	101,800	4	101,800	4
Ohio.....	123,842	3	136,100	4	136,100	4
Oklahoma.....	200,181	5	220,000	5	220,000	5
Oregon.....	537,725	12	591,000	13	591,000	13
Pennsylvania.....	565,655	13	621,700	15	621,700	15
Puerto Rico.....	161,498	4	177,500	5	177,500	5
Texas.....	447,283	10	491,600	12	491,600	12
Utah.....	267,636	5	294,100	5	294,100	5
Virginia.....	104,864	4	115,200	4	115,200	4
Wisconsin.....	313,330	7	344,400	9	344,400	9
Total, Available or Estimate.....	18,695,148	342	20,836,000	383	22,340,000	383

AGRICULTURAL RESEARCH SERVICE

Purpose Statement

The Agricultural Research Service was established on November 2, 1953, pursuant to authority vested in the Secretary of Agriculture by 5 U.S.C. 301 and Reorganization Plan No. 2 of 1953, and other authorities.

The research performed by the Agricultural Research Service (ARS) is authorized by the Department of Agriculture Organic Act of 1862 (7 U.S.C. 2201, 2204), the Research and Marketing Act of 1946, as amended (7 U.S.C. 427, 1621), the Food and Agriculture Act of 1977, as amended (7 U.S.C. 1281 note), and the Food Security Act of 1985 (7 U.S.C. 3101 note).

The Agricultural Research Service is responsible for conducting mission-oriented research on:

- Soil and Water Conservation
- Plant Sciences
- Animal Sciences
- Commodity Conversion and Delivery
- Human Nutrition
- Integration of Agricultural Systems

The research applies to a wide range of goals; commodities; natural resources; fields of science; and geographic, climatic and environmental conditions.

As the U.S. Department of Agriculture's in-house agricultural research agency, ARS has major responsibilities for conducting and leading the national agricultural research effort. ARS provides initiative and leadership in five areas:

- * Research on broad regional and national problems.
- * Research to support Federal action and regulatory agencies.
- * Expertise to meet national emergencies.
- * Research support for international programs.
- * Scientific resource to the Executive Branch and Congress.

The mission of ARS research is to develop new knowledge and technology which will insure an abundance of high quality agricultural commodities and products at reasonable prices to meet the increasing needs of an expanding economy and to provide for the continued improvement in the standard of living of all Americans. This mission focuses on the development of technical information and technical products which bear directly on the needs to (1) manage and use the Nation's soil, water, air, and climatic resources, and improve the Nation's environment; (2) provide an adequate supply of agricultural products by practices that will maintain a permanent and effective agriculture; (3) improve the nutrition and well-being of the American people; (4) improve living in rural America; and (5) strengthen the Nation's balance of payments.

Research is conducted at numerous field locations in the States, District of Columbia, Puerto Rico, the Virgin Islands, and in several foreign countries. Much of the work is conducted in direct cooperation with the State agricultural experiment stations, other State and Federal agencies, and private organizations.

Central offices of ARS are in the Washington, D.C. Metropolitan Area. The field activities are managed on a national basis through 8 Area Offices. Activities are carried out at 127 separate field locations. As of September 30, 1988, there were 6,953 full-time employees and 1,547 other than full-time employees. Of the total, 477 full-time employees and 27 other than full-time employees worked in the headquarters office.

AGRICULTURAL RESEARCH SERVICE

Available Funds and Staff-Years1988 Actual and Estimated, 1989 and 1990

Item	1988 Actual Amount	Staff- Years	1989 Estimated Amount	Staff- Years	1990 Estimated Amount	Staff- Years
Direct Appropriation...						
Agricultural						
Research Service....	\$540,684,000	7,978	\$563,381,000	7,969	\$581,118,000	7,969
Buildings and						
Facilities.....	15,300,000	- -	16,021,316	- -	18,500,000	- -
Total, Direct						
Appropriation.....	555,984,000	7,978	579,402,316	7,969	599,618,000	7,969
Deduct Allotments to						
Other Agencies:						
Forest Service.....	-360,551	- -	-365,310	- -	-365,300	- -
Net.....	555,623,449	7,978	579,037,006	7,969	599,252,700	7,969
Obligations from other:						
USDA Appropriations:						
Agricultural						
Marketing Service...	239,216	- -	250,000	- -	250,000	- -
Animal and Plant						
Health Inspection						
Service.....	6,870,094	100	7,300,000	101	7,300,000	101
Federal Grain						
Inspection Service..	203,467	1	400,000	2	400,000	2
National Agricultural						
Library.....	583,108	- -	600,000	- -	600,000	- -
Forest Service.....	160,939	- -	175,000	- -	175,000	- -
Food Safety and						
Inspection Service..	1,469,149	- -	1,550,000	- -	1,550,000	- -
Human Nutrition						
Information Service..	72,197	- -	100,000	- -	100,000	- -
Office of Interna-						
tional Cooperation						
and Development.....	558,368	3	600,000	4	600,000	4
Soil Conservation						
Service.....	410,255	3	425,000	3	425,000	3
Cooperative State						
Research Service....	295,211	- -	350,000	- -	350,000	- -
Miscellaneous						
Reimbursements.....	233,646	1	275,000	1	275,000	1
Total, Other USDA						
Funds.....	11,095,650	108	12,025,000	111	12,025,000	111
Total, Agriculture						
Appropriations.....	566,719,099	8,086	591,062,006	8,080	611,277,700	8,080

Available Funds and Staff-Years

1988 Actual and Estimated, 1989 and 1990

Item	1988 Actual Amount	Staff- Years	1989 Estimated Amount	Staff- Years	1990 Estimated Amount	Staff- Years
Other Federal Funds:						
Department of Defense:	449,661:	5:	550,000:	6:	550,000:	6
Department of Energy:	385,628:	2:	450,000:	2:	450,000:	2
Department of Health and Human Services..:	1,793,176:	4:	2,000,000:	5:	2,000,000:	5
Department of Interior.....:	270,611:	2:	350,000:	2:	350,000:	2
Department of State.....:	322,895:	1:	475,000:	1:	475,000:	1
Environmental Protection Agency...:	514,723:	3:	600,000:	3:	600,000:	3
Miscellaneous Reimbursement.....:	346,969:	1:	350,000:	1:	350,000:	1
Total, Other Federal Funds.....:	4,083,663:	18:	4,775,000:	20:	4,775,000:	20
Non-Federal Funds:						
State of California..:	307,956:	4:	350,000:	4:	350,000:	4
Binational Agri- culture Research & Development Agreement (BARD)...:	760,514:	7:	900,000:	8:	900,000:	8
Quarters and Subsistence.....:	200,693:	- -	250,000:	- -	250,000:	- -
Miscellaneous Reimbursement.....:	1,576,684:	4:	1,700,000:	4:	1,700,000:	4
Total, Non-Federal Funds.....:	2,845,847:	15:	3,200,000:	16:	3,200,000:	16
Miscellaneous Contributed Funds..:	3,076,434:	31:	5,000,000:	31:	5,000,000:	31
Total, Agricultural Research Service.....:	576,725,043:	8,150:	604,037,006:	8,147:	624,252,700:	8,147

Full-Time Equivalent Staff-Years:	1988 Actual	1989 Estimated	1990 Estimated
Ceiling.....	8,150	8,147	8,147
Non-Ceiling.....	150	150	150
Total.....	8,300	8,297	8,297

AGRICULTURAL RESEARCH SERVICE

Permanent Positions by Grade and Staff-Year Summary

1988 Actual and Estimated 1989 and 1990

Grade	1988 Actual			1989 Estimate			1990 Estimate		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-5	6	6	12	6	6	12	6	6	12
ES-4	1	15	16	1	15	16	1	15	16
ES-3	3	--	3	3	--	3	3	--	3
ES-2	1	1	2	1	1	2	1	1	2
ES-1	--	1	1	--	1	1	--	1	1
GS-18	--	1	1	--	1	1	--	1	1
GS-17	1	--	1	1	--	1	1	--	1
GS-16	3	1	4	3	1	4	3	1	4
GS/GM-15	40	317	357	40	317	357	40	317	357
GS/GM-14	26	532	558	26	532	558	26	532	558
GS/GM-13	94	727	821	94	727	821	94	727	821
GS-12	78	663	741	78	663	741	78	663	741
GS-11	21	424	445	21	424	445	21	424	445
GS-10	--	14	14	--	14	14	--	14	14
GS-9	16	674	690	16	674	690	16	674	690
GS-8	4	279	283	4	279	283	4	279	283
GS-7	42	627	669	42	627	669	42	627	669
GS-6	68	447	515	68	447	515	68	447	515
GS-5	43	608	651	43	608	651	43	608	651
GS-4	39	342	381	39	342	381	39	342	381
GS-3	6	44	50	6	44	50	6	44	50
GS-2	1	10	11	1	10	11	1	10	11
GS-1	--	3	3	--	3	3	--	3	3

AGRICULTURAL RESEARCH SERVICE

Permanent Positions by Grade and Staff-Year Summary

1988 Actual and Estimated 1989 and 1990

Grade	1988 Actual			1989 Estimate			1990 Estimate		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
Positions at rates established by Act June 20, 1958 (U.S.C. 3104)	--	19	19	--	19	19	--	19	19
Grades established under Foreign National Pay Plan..	--	30	30	--	30	30	--	30	30
Ungraded Positions.	--	690	690	--	690	690	--	690	690
Total Permanent Positions.....	493	6,475	6,968	493	6,475	6,968	493	6,475	6,968
Staff-Years:									
Ceiling.....	511	7,639	8,150	511	7,636	8,147	511	7,636	8,147
Non-Ceiling.....	10	140	150	10	140	150	10	140	150
TOTAL.....	521	7,779	8,300	521	7,776	8,297	521	7,776	8,297

AGRICULTURAL RESEARCH SERVICE

CLASSIFICATION BY OBJECTS1988 and Estimated 1989 and 1990

	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>1990 Estimated</u>
Personnel Compensation:			
Headquarters.....	\$17,878,742	\$18,701,000	\$19,094,000
Field.....	<u>234,307,664</u>	<u>245,106,000</u>	<u>250,082,000</u>
11 Total Personnel Compensation.....	252,186,406	263,807,000	269,176,000
12 Personnel Benefits.....	42,702,723	45,072,000	48,452,000
13 Benefits for former employee....	383,433	- -	- -
Total Pers. Comp. & Benefits.....	<u>295,272,562</u>	<u>308,879,000</u>	<u>317,628,000</u>
Other Objects:			
21 Travel and transportation of persons.....	9,062,242	9,300,000	9,600,000
22 Transportation of things.....	1,562,982	1,640,000	1,696,000
23 Communications, utilities and miscellaneous charges.....	27,176,373	28,500,000	29,473,000
24 Printing and reproduction.....	1,067,968	1,120,000	1,158,000
25 Other services.....	113,820,150	119,366,000	123,760,000
26 Supplies and materials.....	41,291,974	43,304,000	44,782,000
31 Equipment.....	40,126,396	42,081,000	43,518,000
32 Lands and structures.....	20,365,514	25,632,000	16,884,000
41 Grants, subsidies, and contributions.....	<u>8,392,274</u>	<u>13,858,000</u>	<u>6,169,000</u>
Total Other Objects.....	<u>262,865,873</u>	<u>284,801,000</u>	<u>277,040,000</u>
Total Obligations.....	<u>558,138,435</u>	<u>593,680,000</u>	<u>594,668,000</u>

Position Data:

Average Salary, ES positions.....	\$73,515	\$76,922	\$78,490
Average Salary, GM/GS positions.....	\$30,946	\$32,380	\$33,040
Average Grade, GM/GS positions.....	9.53	9.53	9.53
Average Salary of Ungraded positions.....	\$25,515	\$26,692	\$27,241

Note: Includes Direct and Buildings and Facilities Appropriations.

AGRICULTURAL RESEARCH SERVICE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Agricultural Research Service:

- For necessary expenses to enable the Agricultural Research Service to perform agricultural research and demonstration relating to production, utilization, marketing, and distribution (not otherwise provided for), home economics or nutrition and consumer use, and for acquisition of lands by donation, exchange, or purchase at a nominal cost not to exceed \$100, [~~\$561,581,000~~] \$579,318,000: Provided, That appropriations hereunder shall be available for temporary employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C.2225), and not to exceed \$115,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That funds appropriated herein can be used to provide financial assistance to the organizers of national and international conferences, if such conferences are in support of agency programs: Provided further, That appropriations hereunder shall be available for the operation and maintenance of aircraft and the purchase of not to exceed one for replacement only: Provided further, That uniform allowances for each uniformed employee of the Agricultural Research Service shall not be in excess of \$400 annually: Provided further, That appropriations hereunder shall be available to conduct marketing research: Provided further, That appropriations hereunder shall be available pursuant to 7 U.S.C. 2250 for the construction, alteration, and repair of buildings and improvements, but unless otherwise provided the cost of constructing any one building shall
- 1 not exceed [~~\$175,000~~], \$250,000 except for headhouses [~~connecting~~] or greenhouses which shall each be limited to [~~\$500,000~~] \$1,000,000, and except for ten buildings to be constructed or improved at a cost not to exceed [~~\$300,000~~] \$500,000 each, and the cost of altering any one building during the fiscal year shall not exceed 10 per centum of the current replacement value of the building or [~~\$175,000~~] \$250,000 whichever is greater: Provided further, That the limitations on alterations contained in this Act shall not
 - 2 apply to the total of [~~\$300,000~~] \$311,000 for facilities at Beltsville, Maryland: Provided further, That the foregoing limitations shall not apply to replacement of buildings needed to carry out the Act of April 24, 1948
 - 3 (21 U.S.C. 113a) [: Provided further, That the foregoing limitations on purchase of land shall not apply to the purchase of land at the Grand Forks
 - 4 Human Nutrition Center, Grand Forks, North Dakota: Provided further, That not to exceed \$190,000 of this appropriation may be transferred to and merged with the appropriation for the Office of the Assistant Secretary for Science and Education for the scientific review of international issues involving agricultural chemicals and food additives].

Special Fund: To provide for additional labor, subprofessional, and junior scientific help to be employed under contracts and cooperative agreements to strengthen the work at Federal research installations in the field, \$1,800,000.

AGRICULTURAL RESEARCH SERVICE

Explanation of Changes

The first change would increase the cost limitation on construction of any building (except headhouses or greenhouses) from \$175,000 to \$250,000; construction of ten buildings from \$300,000 to \$500,000 each; and altering any building during the fiscal year from \$175,000 to \$250,000. It would also change the limitation on headhouses connecting greenhouses to provide a \$1,000,000 limit on each headhouse or greenhouse.

The construction cost limitation on buildings should be increased in FY 1990 to maintain the previous values of these authorizations. Increases requested are derived from conservative estimates of cost changes for construction of specialized research laboratories and associated support facilities applicable in the construction industry. Frequently, renovations required to update laboratories to accomplish sophisticated research include site utilities, special heating, ventilation, and temperature/humidity control requirements as well as special equipment like fume hoods and other research equipment. These special features significantly increase the cost of construction and the cost of such special features has not been adequately addressed in the current limitations. To provide for the increased costs due to special construction requirements; the appropriation limitations should be adjusted upward to cover all incurred costs to provide the type and size of research facility needed.

The second change would increase the cost limitation specifically for Beltsville. This is necessary to maintain the previous values of this authorization. The increase requested is derived from conservative estimates of cost changes for construction of specialized research laboratories and associated support facilities applicable in the construction industry and in anticipation of a 3.6% inflation and escalation of construction costs in FY 1990 for these specialized types of facilities.

The third change would delete language for the purchase of land at Fargo, North Dakota. This language will not be required in FY 1990.

The fourth change would delete language pertaining to transfer of funds to the Office of the Assistant Secretary for Science and Education for the scientific review of international issues involving agricultural chemicals and food additives. This language will not be required in FY 1990.

AGRICULTURAL RESEARCH SERVICE

Appropriation Act, 1989.....	\$563,381,000
Budget Estimate, 1990.....	<u>581,118,000</u>
Increase in Appropriation.....	<u>+17,737,000</u>

Adjustments in 1989:

Appropriation Act, 1989.....	\$563,381,000
Transfer from Department of State.....	+320,000 ^{a/}
Adjusted base for 1989.....	\$563,701,000
Budget Estimate, 1990.....	<u>581,118,000</u>
Increase over adjusted 1989.....	<u>+17,417,000</u>

^{a/} Transfer in the Estimates for ARS activities previously financed by the Department of State to be funded on a reimbursable basis in FY 1990.

SUMMARY OF INCREASES AND DECREASES
(On basis of specific projects)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
1. Research to develop methods for assessing and controlling agriculture-related water quality concerns.....	\$15,600,000	+\$10,000,000	\$25,600,000
2. Develop action plan on plant genome activities..	- -	+100,000	100,000
3. Research on diagnostic methods for diseases of livestock and poultry....	7,458,000	+3,000,000	10,458,000
4. Research to reduce bacterial contamination in meat animals.....	3,941,000	+1,400,000	5,341,000
5. Animal germplasm preservation and evaluation.....	4,172,000	+1,800,000	5,972,000
6. Research to reduce bacterial contamination and pesticide residues in meat and dairy products and grain.....	7,836,000	+4,700,000	12,536,000
7. Decrease for repair and maintenance of Federal facilities.....	21,296,000	-3,583,000	17,713,000
8. All Other.....	<u>503,398,000</u>	<u>- -</u>	<u>503,398,000</u>
Total Available.....	<u>563,701,000</u>	<u>+17,417,000</u>	<u>581,118,000</u>

Project Statement
(on the basis of adjusted appropriation)

PROJECT	1988 Actual		1989 Estimated		Increase or Decrease	1990 Estimated	
	AMOUNT	Staff Years	AMOUNT	Staff Years		AMOUNT	Staff Years
1. Research on soil and water conservation....	\$60,634,955	970	\$66,122,000	969	+\$10,000,000(1)	\$76,122,000	969
2. Research on plant sciences.....	210,963,242	3,352	214,350,000	3,348	+100,000(2)	214,450,000	3,348
3. Research on animal sciences.....	93,679,749	1,592	94,481,000	1,590	+6,200,000(3)	100,681,000	1,590
4. Research on commodity conversion and delivery.	104,779,377	1,662	107,801,000	1,661	+4,700,000(4)	112,501,000	1,661
5. Human nutrition re- search.....	44,120,826	225	45,696,000	225	- -	45,696,000	225
6. Integration of agri- cultural systems.....	12,354,309	177	13,013,000	176	- -	13,013,000	176
7. Repair and maintenance of facilities.....	11,446,256	- -	21,296,000	- -	-3,583,000(5)	17,713,000	- -
8. Contingencies	a/	- -	942,000	- -	- -	942,000	- -
Unobligated balance.....	2,989,286	- -	- -	- -	- -	- -	- -
Total, available or estimate...	540,968,000	7,978	563,701,000	7,969	+17,417,000	581,118,000	7,969
Transfer from Department of State.....	-284,000	- -	-320,000	- -			
Total, Appropriation.....	540,684,000	7,978	563,381,000	7,969			

a/ Obligations incurred under the Research Contingency Fund in 1988 amount to \$909,859 and are reflected in the Program Activities listed above.

AGRICULTURAL RESEARCH SERVICE

Explanation of Program

Under the Agriculture, Rural Development and Related Agencies Appropriations, the Agricultural Research Service develops the means for:

1. Managing and conserving the Nation's soil and water resources for a stable and productive agriculture. -- Research is conducted to develop the technology for assessing and predicting long-term changes in the quantity and quality of soil, water, and air resources available to agriculture; to provide the technology needed for improving, protecting, and restoring the productive capacity of agricultural soils; to develop improved water-management systems and practices to achieve effective and efficient use of water resources; and to develop subsystems and models that integrate the use of soil, water, and air resources for optimum management of major land resource areas.
2. Maintaining and increasing the productivity and quality of crop plants. -- Research is conducted to broaden the germplasm resources of plants and beneficial organisms to ensure maximum genetic diversity for improved productivity; to select and modify germplasm of plants, beneficial organisms, and pests; to develop improved production practices for maintaining and increasing crop productivity and quality and for reducing costs; to discover principles and develop improved methods for reducing crop losses caused by weeds, diseases, insects, nematodes, and other pests; and to develop improved methods for integrating the crop- and pest-management practices needed for higher and more stable levels of crop production.
3. Increasing the productivity of animals and the quality of animal products. -- Research is conducted to increase the genetic capacity of animals for production; to improve the efficiency of reproduction and reproduction-related biological processes; to improve animal nutrition and feed efficiency to increase productivity and product quality; to develop ways to prevent or control losses from diseases, parasites, and toxicants and other substances that limit animal performance and reduce the quality of animal products; to develop means for controlling insects, ticks, and mites that affect animals and man; and to devise means for improving and integrating procedures and facilities for production and transport of animals to increase productivity, reduce costs, and minimize stresses.
4. Achieving maximum use of agricultural products for domestic markets and export. -- Research is conducted to develop means for enhancing the inherent properties and uses of agricultural materials; to develop the means for meeting foreign and domestic user and regulatory requirements relating toxic factors in food, feed, and other agricultural products; to develop means for reducing or eliminating postharvest losses caused by pests, spoilage, and physical and environmental damage; and to develop the means for increasing efficiency of systems for processing, handling, storing, and distributing agricultural products.
5. Promoting optimum human health and well-being through improved nutrition and family resource management. -- Research is conducted to define the nutrient requirements of humans at all stages of the life cycle; to determine the nutrient content of agricultural commodities and processed foods as eaten, and establish the bioavailability of their nutrients; and to improve the nutritional status of humans and the well-being of families by making techniques available for assessing the effectiveness of nutrition and home economics programs.

6. Integrating scientific knowledge of agricultural production, processing, and marketing into systems that optimize resource management and facilitate transfer of technology to users. -- Research is conducted to develop integrated systems for efficiently producing, processing, and marketing agricultural products; and to develop alternative agricultural systems, including those of small scale, that are less dependent upon nonrenewable resources and that are productive, efficient, and sustainable in the long term.
7. Repair and maintenance of facilities. -- Funds are used to repair and maintain ARS facilities to provide safe, energy-efficient and functional workspace for in-house research. In addition to this national program which focuses primarily on safety and energy retrofit projects, ARS is committed to adequately funding routine maintenance and repair. To assure that all facilities are properly maintained, each location allocates program funds as appropriate to perform the most pressing needs.

The research performed by Agricultural Research Service (ARS) is authorized by the Department of Agriculture Organic Act of 1862 (7 U.S.C. 2201, 2204) the Research and Marketing Act of 1946, as amended (7 U.S.C. 427, 1621) the Food and Agriculture Act of 1977, as amended (7 U.S.C. 1281 note), and the Food Security Act of 1985 (7 U.S.C. 3101 note).

JUSTIFICATION FOR INCREASES

- (1) An increase of \$10,000,000 for research on soil and water conservation consisting of:

- (a) An increase of \$10,000,000 for research to develop methods for assessing and controlling agriculture-related water quality concerns (\$15,600,000 available in FY 1989).

Need for Change: There is increasing recognition at State and Federal Levels that agricultural research must give more attention to developing methods for assessing and controlling, where appropriate, the environmental consequences of farming activities. The Water Quality Act of 1987 has focused the attention of the Nation on the need for better control of nonpoint sources of pollution, including sources associated with agriculture and silviculture.

The general public is concerned that pesticides, nutrients, sediments, animal wastes, and salts may be seriously degrading the quality of the Nation's drinking water. While the adverse effects of industrial and agricultural chemicals and urban wastes on surface water quality have been known for some time, the effect that some of these potential pollutants might have on the quality of groundwater is not well understood and is poorly documented. The information needed to accurately assess the current problem and focus resources to accomplish the needed changes is identified in the USDA Plan for Water Quality Research.

Nature of Change: Resources will be used for a major research initiative in the Midwest to assess the impact of existing corn and soybean production systems on groundwater quality, and to develop decision aids which can be used by farmers, farm consultants, technical specialists and extension personnel to select economically viable and environmentally safe farming practices. This assessment and development will be coordinated with water quality efforts of the SCS; the ASCS; the CSRS and its associated State Agricultural Experiment Stations and Land Grant Universities; the USGS and EPA as outlined in the USDA Plan for Water Quality Research. Because professionals of the State agricultural experiment stations can contribute materially to the success of the initiative, their collaboration will be actively promoted. A variety of chemical management options and cultural practices will be evaluated, including the use of slow-release pesticides, adjustments to the timing and placement of fertilizers and pesticides, and improved estimates of the nitrogen requirements of crops at different stages of growth. A systems approach to the research will permit the rapid transfer of scientific information obtained at selected experimental sites to ungauged areas. An expanded program of collaborative work with the U.S. Geological Survey and the Environmental Protection Agency is proposed for the Delmarva Peninsula, Chesapeake Bay, the Coastal Plains and the central valley of California. Research will also focus on the development of less costly sampling methods.

- (2) An increase of \$100,000 for research on plant sciences consisting of:

- (a) An increase of \$100,000 to develop an action plan on plant genome activities (\$0 available in FY 1989).

Need for Change: There is an increasing need to assure a continuing supply of crop varieties with improved nutritional quality and with resistance to the stresses of toxic soils, salinity, temperature extremes, pests and diseases and that are more efficient in using plant nutrients and water. Gene mapping for crop plants is a first-order priority in agricultural research. Gene mapping simply means assigning a gene to a particular chromosome. Mapping technology gives information to the research scientist

to locate desired genes. Researchers have learned to take DNA apart and put it back together again and to determine the sequential order of the four kinds of nucleotide bases. Maps are necessary to identify and procure genes or gene systems which resolve agricultural problems such as disease, drought, and insect pest resistance or tolerance. Other genetic factors influence yield, maturation, and nutritional content. Still others regulate distribution of carbohydrates, lipids and proteins. Once it becomes known, this information will provide the basis for the development of new varieties to the benefit of farmers, ranchers, food processors and others in the agricultural industry.

Genome sequences are relevant to an understanding of the control of gene expression. A genome project for plant crops would create maps and DNA sequences of plant chromosomes, create repositories of research materials such as ordered sets of DNA fragments, establish databases on information about DNA sequences, gene function, and location of DNA markers, and develop new instruments and new methods for analyzing DNA. Research activities on corn and soybean genome mapping are spread over several locations and scientists throughout the Agency. Other commodities must be examined. A coordinated approach is required to efficiently acquire the necessary gene information on crop plant genomes.

Nature of Change: Resources will be used to develop a formal plan of action which will involve close cooperation and coordination between the Agricultural Research Service and land-grant institutional participants. National project leadership will be provided by the Agricultural Research Service. International centers of agricultural research will likewise be involved in coordinated activities. Contact will also be maintained with other agencies which may be involved in human genome activities as those programs are developed. The action plan will establish the organizational structure and project management principles; define appropriate roles for participating entities; specify how the national effort will be coordinated; identify research priorities; and establish project goals and objectives.

(3) An increase of \$6,200,000 for research on animal sciences consisting of:

- (a) An increase of \$3,000,000 for research on diagnostic methods for diseases of livestock and poultry (\$7,458,000 available in FY 1989).

Need for Change: Increased research funding on economically important diseases of livestock and poultry is required to enhance the speed, accuracy, and sensitivity of diagnostic tests. These include both domestic and foreign diseases that threaten our livestock and poultry industries. The latest biotechnological tools will be utilized. Mapping and cloning viral, bacterial, and protozoan nucleic acid will result in genetic probes and in recombinant DNA vectored vaccines. Monoclonal antibodies will be developed for increased sensitivity of tests.

Research is also needed to develop diagnostic technology for foreign and domestic diseases in embryos, as well as the development of methods to prevent their transmission. These findings will allow us to move desired embryos from hosts to recipients without the transmission of disease agents.

Nature of Change: Research will be carried out to develop vectors for genetically engineered vaccines in poultry; develop DNA probes for diagnosis and vectors for genetically engineered vaccines in livestock; improve diagnosis of parasitic infections of cattle, swine and poultry through recombinant DNA technology; develop means to transfer embryos free of rinderpest and other viral diseases; and improve diagnostic procedures for domestic and foreign diseases through recombinant DNA technology.

Results of this research will assure that diagnosis, control, and eradication of diseases can be more effectively carried out to prevent losses and reduce costs of production, enhance U.S. exports, as well as improve the health and safety of the American food supply. Emphasis will be placed on more "on-the-farm" tests to monitor the entry of foreign pathogens into our livestock and poultry populations.

This research is in direct response to APHIS's highest priorities.

- (b) An increase of \$1,400,000 for research to reduce bacterial contamination in meat animals (\$3,941,000 available in FY 1989).

Need for Change: Assurance of the microbiological safety of food products of animal origin is needed to provide the public with nutritious and safe livestock and poultry products. Contamination with Salmonella continues to be a major concern in milk, meat, and eggs. Even subclinical infections may result in infected meat and meat products that will cause human illness. Research is needed to develop improved means for control of these hazardous bacteria in the live animal and, particularly, to eliminate the carrier state.

Nature of Change: Initially, studies will determine factors that affect colonization of the host and transmission of infection in poultry, pigs, and calves. Fundamental knowledge of membrane lipid composition, receptor availability and turnover, and other new advances in membrane biology and cell-to-cell communication will be utilized to devise new means to help the immune system recognize and attack these Salmonella organisms.

This research will enhance consumer safety and is in direct support of one of FSIS's highest priorities.

- (c) An increase of \$1,800,000 for animal germplasm preservation and evaluation (\$4,172,000 available in FY 1989).

Need for Change: The extinction of biological diversity among the world's farm animals is occurring at an accelerated rate. Much of this has happened because farm animals have been adapted to rather narrow and sometimes controlled production environments. Non-competitive livestock, however, have unique genetic potential for adaptation to future changes in production practices and/or consumer preferences in end product. Therefore, we must expand our biological diversity to insure that our future needs for food and fiber are met.

Nature of Change: Maintenance of adequate global genetic diversity requires an organized effort to avoid losses of valuable germplasm that has potential to reduce the incidence of disease and improve the efficiency of livestock and poultry production. Major efforts would be on identification, evaluation, screening, selective importation, evaluation of genetic stocks, cryopreservation of embryos, and identification of animals that have genetic resistance to diseases and parasites. Also, efforts will be devoted to the development of genetic vectors for the transfer of desired production and disease-resistance genes. A portion of the funds will be used for planning and development of strategies required for the implementation of this comprehensive effort. The effort will be coordinated with other national and international agencies to develop inventories and data bases.

- (4) An increase of \$4,700,000 for research on commodity conversion and delivery consisting of:

- (a) An increase of \$4,700,000 for research to reduce bacterial contamination and pesticide residues in meat and dairy products (\$7,836,000 available in FY 1989).

Need for Change: The consumers of this Nation and the world are increasingly concerned about the quality and safety of the food they eat. Heightened consumer awareness of issues such as bacterial contamination, and drug and pesticide residues and mycotoxins intensifies the need to assure the safety and quality of the food supply. New approaches incorporating new technologies, new methods of assessment, and increased knowledge of controlling mechanisms are essential to meet this compelling challenge necessary to and in maintaining high quality export markets to countries with increasingly more strict tolerance of residues.

Nature of Change: Research will be expanded on Salmonella, Listeria, Campylobacter, and other pathogenic organisms in food which can multiply and cause severe gastrointestinal distress and result on occasion in hospitalization and even death. Foods and products of animal origin continue to be found as the primary vehicle in investigation of outbreaks of human disease. Most food-producing animals, but particularly poultry, may carry Salmonella and/or Campylobacter in their gastrointestinal tract or other organs without showing overt clinical signs of the disease. Other bacteria such as Listeria are ubiquitous and methods must be developed to control their entry and growth in all types of food systems.

Most food-producing animals are exposed to pesticides, drugs and mycotoxins either directly through use of chemicals to kill or repel livestock insects and parasites or control animal disease or indirectly through the presence of residues in their feed. Feed grains are exposed to pest control chemicals and fungal growth in all phases of production, storage and transport and the concentration of resulting residues may even be increased over that in the original commodity because of processing. Research will be conducted to develop (1) simple and fast screening methods to detect pesticide, drug and mycotoxin residues in animals presented for slaughter, and (2) confirmatory methods for pesticides and drug residues in animal products suitable for use by regulatory agencies. products suitable for use by regulatory agencies. Multiresidue methods to detect more than one chemical will be developed where possible.

This research to reduce bacterial contamination and pesticide and other chemical residues will support the high priority needs of the Food Safety and Inspection Service.

- (5) A decrease of \$3,583,000 for repair and maintenance of Federal facilities (\$21,296,000 available in FY 1989).

Need for Change: The FY 1990 Budget recommends a change in budgeting for major projects carried out for the renovation of the Beltsville Agricultural Research Center (BARC). The change results in a reduction of \$3,583,000 from the Salaries and Expenses appropriation for repair and maintenance activities carried out at BARC and a concurrent increase of \$7,250,000 under the Buildings and Facilities Appropriation for Beltsville modernization. The result is a net increase of \$3.7 million for this high priority project. The nature and complexity of designing, planning, renovation, etc., the numerous facilities, roads and other capital assets under the BARC project require that resources be available beyond a one-year time period. The Buildings and Facilities Appropriation is established for major construction projects and is the appropriation subject to the General Provisions which accompany the Appropriation Act and which generally provide that funds under this account be available until expended. Prudent management requires that these funds be available, if necessary, beyond the fiscal year in which they are appropriated. The use of these funds, as currently appropriated under the annual program account, is too restrictive in meeting overall planning and construction needs at BARC.

Nature of Change: In FY 1990 funding in the amount of \$3,583,000 will be reduced under the Salaries and Expenses Appropriation for the Beltsville Agricultural Research Center, Beltsville, Maryland. Additional funds for BARC modernization, \$7,250,000, are requested under the ARS Buildings and Facilities Appropriation. These actions will provide for a more flexible and effective management implementation of BARC repair, renovation and modernization needs and result in a net increase of \$3.7 million available for BARC modernization. Additional funds remain available in the Salaries and Expenses Appropriation for BARC and other ARS research facilities under the line item "Repair and Maintenance of Facilities" for routine repair and energy retrofit projects which can be efficiently planned and contracted for during the fiscal year.

CONTINGENCY RESEARCH FUND

The Contingency Research Fund, established by Congress in Fiscal Year 1962, is designed to provide a ready source of funds to meet unforeseen and immediate research needs. Releases from the fund are generally made in situations where an emergency exists, or for special needs such as an unexpected scientific "breakthrough," or for new diseases or pest problems where it appears inadvisable to wait for consideration of a request for funds for the project in the regular budget process. In allocating funds, the procedure is to make no commitments for allocations from the fund beyond the current year.

1988 Obligations

Repair of roof at agronomy farm that was damaged during a wind storm, Ft. Collins, Colorado.....	\$7,582
Repairs to electrical system and telephone system damaged by lightning, Brooksville, Florida.....	10,000
Clean-up and repair of damages caused by a hail storm, Tifton, Georgia	52,291
Research on the Varroa Mite, a parasite mite of honey bees, Beltsville, Maryland.....	50,000
Repair damages to roof and elevator of the main building, which were caused by a tornado and rain storm, Stoneville, Mississippi.....	10,000
Replace animal feed truck destroyed by fire, Clay Center, Nebraska...	50,000
Repair the cattle-feeding Building No. 44 damaged by fire, Clay Center, Nebraska.....	20,000
Ambulance and emergency EMT equipment, Plum Island, New York.....	62,000
Removal of weir from Winter Creek and repair of scoured areas on Winter Creek, and on West Bitter Creek, Durant, Oklahoma.....	75,663
Repair damage to greenhouse caused by hurricane, Weslaco, Texas.....	22,200
Emergency drought relief for purchase of animal feed, purchase and lease of irrigation equipment and operational costs, renovation of irrigation system, pipeline and water purchase, and purchase of shade cloth for greenhouse: Auburn, Alabama; Booneville, Arkansas; Watkinsville, Georgia; Dubois, Idaho; St. Paul, Minnesota; Mississippi State, Mississippi; Stoneville, Mississippi; Columbia, Missouri; Miles City, Montana; Clay Center, Nebraska; El Reno, Oklahoma; Lane, Oklahoma; Woodward, Oklahoma; Madison, Wisconsin.....	<u>550,123</u>
Total, 1988 Obligations.....	909,859
Unobligated Balance.....	<u>41,141</u>
Total, Contingency Research Fund.....	<u>951,000</u>

STATEMENT OF OBLIGATIONS AND STAFF-YEARS BY LOCATION

(On basis of adjusted appropriation)

Location	Actual 1988		Estimated 1989		Estimated 1990	
	Dollars	Staff-Years	Dollars	Staff-Years	Dollars	Staff-Years
ALABAMA, Auburn.....	\$2,491,152	47	\$2,463,500	47	\$2,463,500	47
ALASKA, Fairbanks.....	709,796	8	713,800	8	713,800	8
ARIZONA						
Phoenix.....	5,038,969	109	4,980,300	109	5,160,300	109
Tucson.....	3,738,430	75	3,424,800	75	3,604,800	75
Total.....	8,777,399	184	8,405,100	184	8,765,100	184
ARKANSAS						
Booneville.....	965,900	18	950,700	18	950,700	18
Stuttgart.....	398,192	5	361,100	5	361,100	5
Total.....	1,364,092	23	1,311,800	23	1,311,800	23
CALIFORNIA						
Albany.....	20,550,488	279	18,481,600	279	19,111,600	279
Brawley.....	320,736	8	328,200	8	328,200	8
Davis.....	1,516,988	20	1,373,300	20	1,373,300	20
Fresno.....	3,399,552	68	3,346,200	68	3,526,200	68
Pasadena.....	2,369,939	34	2,312,200	34	2,312,200	34
Riverside.....	2,745,883	50	2,972,900	50	3,602,900	50
Salinas.....	1,785,527	35	1,747,100	35	1,747,100	35
San Francisco.....	3,831,313	38	4,010,200	38	4,010,200	38
Shafter.....	1,204,511	20	1,185,000	20	1,185,000	20
Total.....	37,724,937	552	35,756,700	552	37,196,700	552
COLORADO						
Akron.....	766,442	15	729,500	15	729,500	15
Fort Collins.....	8,353,649	146	8,593,700	146	9,133,700	146
Total.....	9,120,091	161	9,323,200	161	9,863,200	161
DELAWARE						
Georgetown.....	785,243	11	734,300	11	734,300	11
Newark.....	684,780	13	568,300	13	568,300	13
Total.....	1,470,023	24	1,302,600	24	1,302,600	24
DISTRICT OF COLUMBIA						
Program.....	3,514,006	65	3,758,600	65	3,758,600	65
Headquarters						
Federal						
Administration.....	28,726,876	511	29,004,100	511	29,004,100	511
Centrally Fi-						
nanced Services.....	7,572,047	- -	8,202,600	- -	8,202,600	- -
Subtotal.....	36,298,923	511	37,206,700	511	37,206,700	511
Total.....	39,812,929	576	40,965,300	576	40,965,300	576
FLORIDA						
Belle Glade.....	230,185	4	- -	- -	- -	- -
Brooksville.....	460,467	10	432,600	10	567,600	10
Canal Point.....	1,292,294	19	907,000	20	907,000	20
Fort Lauderdale.....	684,770	13	641,600	13	641,600	13
Gainesville.....	8,586,322	156	8,149,200	157	8,284,200	157
Miami.....	1,565,707	28	1,611,400	28	1,611,400	28
Orlando.....	3,909,176	61	3,881,800	61	3,881,800	61
Winter Haven.....	1,231,333	16	1,221,200	16	1,221,200	16
Total.....	17,960,254	307	16,844,800	305	17,114,800	305

STATEMENT OF OBLIGATIONS AND STAFF-YEARS BY LOCATION

(On basis of adjusted appropriation)

Location	Actual 1988		Estimated 1989		Estimated 1990	
	Dollars	Staff-Years	Dollars	Staff-Years	Dollars	Staff-Years
GEORGIA						
Athens.....	11,315,019	191	11,996,800	191	13,346,800	191
Byron.....	1,808,295	43	1,781,200	43	1,781,200	43
Dawson.....	1,560,084	27	1,388,000	27	1,388,000	27
Experiment.....	2,087,273	8	1,424,500	8	1,424,500	8
Savannah.....	2,761,168	52	2,642,400	52	2,642,400	52
Tifton.....	6,431,950	101	6,442,900	101	7,072,900	101
Watkinsville.....	1,928,484	27	1,755,200	27	1,755,200	27
Total.....	27,892,273	449	27,431,000	449	29,411,000	449
HAWAII, Honolulu.....	4,430,804	57	4,720,800	57	4,720,800	57
IDAHO						
Aberdeen.....	1,171,400	11	1,284,000	11	1,284,000	11
Boise.....	1,097,733	17	1,047,100	17	1,227,100	17
Dubois.....	1,554,649	11	1,656,900	11	1,656,900	11
Kimberly.....	2,092,936	41	2,206,600	41	2,386,600	41
Total.....	5,916,718	80	6,194,600	80	6,554,600	80
ILLINOIS						
Peoria.....	19,680,959	316	20,438,600	316	21,158,600	316
Urbana.....	3,306,183	49	3,137,600	49	3,407,600	49
Total.....	22,987,142	365	23,576,200	365	24,566,200	365
INDIANA, Lafayette.....	3,230,556	42	2,881,400	42	3,151,400	42
IOWA, Ames/Ankeny.....	17,498,079	328	19,190,800	328	21,710,800	328
KANSAS, Manhattan.....	4,405,354	64	3,747,500	64	3,747,500	64
KENTUCKY, Lexington....	891,817	16	909,600	16	909,600	16
LOUISIANA						
Baton Rouge.....	1,666,952	34	1,698,800	34	1,878,800	34
Houma.....	1,317,134	33	1,318,000	33	1,318,000	33
New Orleans.....	16,225,984	243	15,736,900	243	16,276,900	243
Total.....	19,210,070	310	18,753,700	310	19,473,700	310
MAINE, Orono.....	469,369	6	439,100	6	439,100	6
MARYLAND						
Beltsville.....	74,858,278	1,286	72,543,400	1,286	75,198,400	1,286
Frederick.....	2,098,541	41	2,064,500	41	2,064,500	41
Hyattsville.....	356,510	8	521,900	8	521,900	8
Total.....	77,313,329	1,335	75,129,800	1,335	77,784,800	1,335
MASSACHUSETTS, Boston..	12,831,347	2	13,354,200	3	13,354,200	3
MICHIGAN, East Lansing.	3,302,212	58	3,118,500	58	3,748,500	58

STATEMENT OF OBLIGATIONS AND STAFF-YEARS BY LOCATION

(On basis of adjusted appropriation)

Location	Actual 1988		Estimated 1989		Estimated 1990	
	Dollars	Staff-Years	Dollars	Staff-Years	Dollars	Staff-Years
MINNESOTA						
East Grand Forks.....	899,009	8	1,106,200	8	1,106,200	8
Morris.....	1,707,207	33	1,882,400	33	2,152,400	33
St. Paul.....	3,560,347	39	3,348,900	39	3,708,900	39
Total.....	6,166,563	80	6,337,500	80	6,967,500	80
MISSISSIPPI						
Mississippi State....	6,352,845	115	5,901,900	115	5,901,900	115
Oxford.....	3,426,071	64	4,484,800	64	4,484,800	64
Poplarville.....	637,073	12	602,300	12	602,300	12
Stoneville.....	9,392,442	188	10,588,000	188	10,588,000	188
Total.....	19,808,431	379	21,577,000	379	21,577,000	379
MISSOURI, Columbia.....	4,386,800	81	4,076,500	81	4,436,500	81
MONTANA						
Bozeman.....	1,341,714	25	1,355,900	25	1,355,900	25
Miles City.....	1,921,606	11	1,692,200	11	1,692,200	11
Sidney.....	558,911	10	435,700	10	435,700	10
Total.....	3,822,231	46	3,483,800	46	3,483,800	46
NEBRASKA						
Clay Center.....	8,655,104	57	9,128,100	57	10,118,100	57
Lincoln.....	3,011,928	41	2,876,200	41	3,236,200	41
Total.....	11,667,032	98	12,004,300	98	13,354,300	98
NEVADA, Reno.....	570,350	8	617,200	8	617,200	8
NEW JERSEY						
Chatsworth.....	- -	- -	566,900	2	566,900	2
NEW MEXICO						
Las Cruces.....	1,448,584	25	1,213,200	25	1,213,200	25
NEW YORK						
Geneva.....	1,372,788	9	1,126,600	9	1,126,600	9
Ithaca.....	3,176,849	37	3,138,500	37	3,138,500	37
Plum Island.....	9,193,171	198	8,859,300	198	9,309,300	198
Total.....	13,742,808	244	13,124,400	244	13,574,400	244
NORTH CAROLINA						
Oxford.....	2,346,169	33	2,297,100	33	2,297,100	33
Raleigh.....	4,525,905	69	4,507,500	69	4,507,500	69
Total.....	6,872,074	102	6,804,600	102	6,804,600	102
NORTH DAKOTA						
Fargo.....	8,009,472	121	7,905,300	121	8,175,300	121
Grand Forks.....	6,280,017	30	6,325,400	30	6,325,400	30
Mandan.....	2,329,668	49	2,280,800	49	2,550,800	49
Total.....	16,619,157	200	16,511,500	200	17,051,500	200

STATEMENT OF OBLIGATIONS AND STAFF-YEARS BY LOCATION

(On basis of adjusted appropriation)

Location	Actual 1988		Estimated 1989		Estimated 1990	
	Dollars	Staff-Years	Dollars	Staff-Years	Dollars	Staff-Years
OHIO						
Columbus.....	270,334	4	325,200	4	595,200	4
Coshocton.....	973,327	16	928,400	16	1,198,400	16
Delaware.....	568,934	11	559,800	11	559,800	11
Wooster.....	1,783,307	35	1,690,700	35	1,690,700	35
Total.....	3,595,902	66	3,504,100	66	4,044,100	66
OKLAHOMA						
Durant.....	1,940,947	38	1,990,200	38	2,170,200	38
El Reno.....	1,669,841	27	1,614,200	27	1,614,200	27
Lane.....	1,611,407	11	1,533,800	11	1,533,800	11
Poteau.....	424,428	10	-	-	-	-
Stillwater.....	1,815,818	31	1,859,900	31	1,859,900	31
Woodward.....	724,087	16	974,300	16	974,300	16
Total.....	8,186,528	133	7,972,400	123	8,152,400	123
OREGON						
Burns.....	566,544	3	335,800	3	335,800	3
Corvallis.....	3,635,255	40	3,797,600	40	3,797,600	40
Pendleton.....	1,171,195	21	1,073,600	21	1,073,600	21
Total.....	5,372,994	64	5,207,000	64	5,207,000	64
PENNSYLVANIA						
University Park.....	2,801,615	47	2,756,400	47	2,936,400	47
Wyndmoor.....	17,968,494	236	16,922,400	236	17,552,400	236
Total.....	20,770,109	283	19,678,800	283	20,488,800	283
SOUTH CAROLINA						
Charleston.....	2,099,953	41	2,229,400	41	2,229,400	41
Clemson.....	1,780,840	28	1,704,300	28	1,704,300	28
Florence.....	1,706,125	37	1,651,500	37	1,831,500	37
Total.....	5,586,918	106	5,585,200	106	5,765,200	106
SOUTH DAKOTA						
Brookings-Madison....	1,545,169	35	1,510,900	35	1,690,900	35
TENNESSEE						
Greeneville.....	49,132	1	49,400	1	49,400	1
Jackson.....	150,606	2	134,700	2	134,700	2
Lewisburg.....	144,238	2	143,800	2	143,800	2
Total.....	343,976	5	327,900	5	327,900	5
TEXAS						
Beaumont.....	823,505	15	750,700	15	750,700	15
Brownwood.....	570,756	11	554,900	11	554,900	11
Bushland.....	2,332,195	46	2,148,900	46	2,148,900	46
College Station.....	8,750,610	161	9,011,800	161	9,551,800	161
Houston.....	6,986,055	1	8,341,300	2	8,341,300	2
Kerrville.....	2,363,227	51	2,442,100	52	2,577,100	52
Lubbock.....	2,822,033	50	2,401,300	50	2,401,300	50
Temple.....	2,679,593	58	2,514,700	58	2,514,700	58
Weslaco.....	5,891,422	107	5,730,200	107	5,730,200	107
Total.....	33,219,396	500	33,895,900	502	34,570,900	502

STATEMENT OF OBLIGATIONS AND STAFF-YEARS BY LOCATION

(On basis of adjusted appropriation)

Location	Actual 1988		Estimated 1989		Estimated 1990	
	Dollars	Staff-Years	Dollars	Staff-Years	Dollars	Staff-Years
UTAH, Logan.....	3,422,138	54	3,045,300	54	3,045,300	54
VIRGINIA Suffolk	525,961	11	481,100	11	481,100	11
WASHINGTON Prosser.....	2,305,070	46	2,212,300	46	2,392,300	46
Pullman.....	5,470,770	87	5,722,100	87	5,722,100	87
Wenatchee.....	1,129,819	25	1,080,100	25	1,080,100	25
Yakima.....	2,480,304	53	2,421,600	53	2,421,600	53
Total.....	11,385,963	211	11,436,100	211	11,616,100	211
WEST VIRGINIA Beckley.....	2,517,608	39	2,802,900	39	2,802,900	39
Kearneysville.....	3,321,996	48	3,416,200	46	3,416,200	46
Total.....	5,839,604	87	6,219,100	85	6,219,100	85
WISCONSIN, Madison.....	5,409,545	55	4,752,300	55	4,752,300	55
WYOMING Cheyenne.....	753,195	16	670,700	16	670,700	16
Laramie.....	2,035,080	28	1,943,800	28	1,943,800	28
Total.....	2,788,275	44	2,614,500	44	2,614,500	44
PUERTO RICO Mayaguez.....	2,004,940	48	1,946,500	48	1,946,500	48
VIRGIN ISLANDS St. Croix.....	387,983	5	209,700	5	209,700	5
OTHER COUNTRIES Argentina, Buenos Aires.....	169,845	- -	149,500	- -	149,500	- -
France, Behoust.....	962,485	3	813,100	3	813,100	3
Italy, Rome.....	659,839	1	542,300	1	542,300	1
Korea, Seoul.....	166,271	1	150,000	1	150,000	1
Mexico, Tuxtla Gutierrez.....	894,135	8	898,000	8	898,000	8
Netherlands, Rotterdam.....	322,905	1	304,600	1	304,600	1
Total.....	3,175,480	14	2,857,500	14	2,857,500	14

STATEMENT OF OBLIGATIONS AND STAFF-YEARS BY LOCATION

(On basis of adjusted appropriation)

Location	Actual 1988		Estimated 1989		Estimated 1990	
	Dollars	Staff-Years	Dollars	Staff-Years	Dollars	Staff-Years
Extramural and Program locations to be determined.....	7,697,253	- -	27,003,200	- -	29,193,200	- -
Contingency Research Fund.....	<u>a/</u>	- -	941,500	- -	941,500	- -
Repair & Maintenance of Facilities.....	11,446,256	- -	21,295,800	- -	17,712,800	- -
Unobligated Balance....	2,989,286	- -	- -	- -	- -	- -
Subtotal, Available or Estimate.....	540,607,449	7,978	563,335,700	7,969	580,752,700	7,969
Allotment to Forest Service.....	360,551	- -	365,300	- -	365,300	- -
Transfer from Department of State..	-284,000	- -	-320,000	- -	- -	- -
TOTAL, Appropriation...	540,684,000	7,978	563,381,000	7,969	581,118,000	7,969

a/ Obligations incurred in 1988 under the Contingency fund in the amount of \$909,859 are reflected in the locations above.

AGRICULTURAL RESEARCH SERVICE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Buildings and Facilities:

For acquisition of land, construction, repair, improvement, extension, alteration, and purchase of fixed equipment or facilities and for grants to States and other eligible recipients for such purposes, as necessary to carry out the agricultural research, extension and teaching programs of the Department of Agriculture, where not otherwise provided, [\$28,350,000] \$18,500,000: Provided that these funds may be transferred to such other accounts in this Act as may be appropriate to carry out these purposes: Provided further, That facilities to house Bonsai collections at the National Arboretum may be constructed with funds accepted under the provisions of Public Law 94-129 (20 U.S.C. 195) and the limitation on construction contained in the Act of August 24, 1912 (40 U.S.C. 68) shall
1 not apply to the construction of such facilities [: Provided further, That funds recovered in satisfaction of judgment at the Plum Island Animal Disease Center shall be available and augment funds appropriated in a prior fiscal year for construction at Plum Island Animal Disease Center and be used for construction necessary to consolidate research and operations at the Center and for renovation of the Beltsville Agricultural Research Center].

Explanation of Change

This change would delete language pertaining to the use of recovered funds for planned facility changes at the Plum Island Animal Disease Center and renovation at the Beltsville Agricultural Research Center. This language will not be required in FY 1990.

AGRICULTURAL RESEARCH SERVICE

BUILDINGS AND FACILITIES

Adjustments in 1989:

Appropriation Act, 1989.....	\$28,350,000
Reappropriation, 1989.....	10,631,316
Transfer to CSRS.....	-22,960,000
Adjusted Base for 1989.....	16,021,316
Budget Estimate, 1990.....	18,500,000
Increase over adjusted 1989.....	<u>+2,478,684</u>

SUMMARY OF INCREASES AND DECREASES
(on basis of adjusted appropriation)

<u>Items of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Greenhouse, Plant Gene Expression Center, Albany, California.....	\$700,000	-\$700,000	--
U.S. Salinity Laboratory, Riverside, California.....	900,000	-900,000	--
National Seed Storage Laboratory, Fort Collins, Colorado.....	2,750,000	+6,000,000	\$8,750,000
Modernization of facilities, ARS Beltsville Agricultural Research Center, Beltsville, Maryland.....	--	+7,250,000	7,250,000
Poultry Disease Laboratory, Athens, Georgia.....	--	+2,500,000	2,500,000
South Central Agricultural Research Center, Lane, Oklahoma.....	140,000	-140,000	--
U.S. Fruit & Vegetable Laboratory, Yakima, Washington.....	900,000	-900,000	--
Reappropriation of funds, 1989 Plum Island, NY (\$7,805,388); U.S. National Arboretum, Washington, D.C. (\$2,000,000); and Beltsville Agricultural Research Center, Beltsville, MD (\$825,928).....	10,631,316	-10,631,316	--
TOTAL, Available.....	<u>16,021,316</u>	<u>+2,478,684</u>	<u>18,500,000</u>

Project Statement
(on basis of adjusted appropriation)

Project	1988 Actual Amount	Staff: Years	1989 Estimated Amount	Staff: Years	Increase or Decrease	1990 Estimated Amount	Staff: Years
Buildings and Facilities....	\$17,291,403	--	\$3,866,316	--	+\$14,633,684	\$18,500,000	--
Unobligated Balance.....	20,998,666	--	12,155,000	--	-12,155,000	--	--
Total Available: or Estimate...	38,290,069	--	16,021,316	--	+2,478,684(1)	18,500,000	--

JUSTIFICATION FOR INCREASES AND DECREASES

(1) A net increase of \$2,478,684 for Buildings and Facilities consisting of:

- (a) A decrease of \$16,021,316 to delete funds contained in the FY 1989 Appropriation Act for construction projects and funds Reappropriated in FY 1989.

Need for Change. Funds for projects contained in the FY 1989 Appropriations Act (excluding the transfer of \$22,960,000 in FY 1989, to the Cooperative State Research Service (CSRS)) totaled \$5,390,000 and funds reappropriated in FY 1989 totaled \$10,631,316. These funds are available until fully expended and are not required in the FY 1990 Appropriation Act.

- (b) An increase of \$8,750,000 for construction of a new National Seed Storage Laboratory, Fort Collins, Colorado.

Need for Change. The present National Seed Storage Laboratory (NSSL) was constructed in 1957. While the National Plant Germplasm System (NPGS) includes numerous smaller working collections, the NSSL is the most important germplasm repository. It houses the base collection of seed.

As the first facility in the world designated for the long-term preservation of plant germplasm, the planners had little experience to draw upon. A facility that was planned to accommodate 50 years of growth in acquisition of germplasm stocks will soon be entirely filled. Also, in 1957, it was believed that a storage environment of 40 degrees Fahrenheit and 40-50 percent relative humidity would assure the seed viability for 50 or more years. From experience and research, we now know more precise temperature and humidity conditions are required.

By the end of the 1950's, biologists were beginning to recognize that valuable crop germplasm was being lost because of man's activities. For this endangered germplasm to be available to future generations, its collection and preservation had to be accelerated. Collection was accelerated and is far from being finished for most of our food, fiber, and forage crops. There are now about 210,000 seed samples (accessions) in the NSSL. Plans now being developed for further acceleration of collection of endangered germplasm, especially of wheat, corn, soybeans, and forage crops, will dictate the need for expanded storage facilities.

Nature of Change. Construction will include the expansion and renovation of the present NSSL facility at Fort Collins, Colorado. The proposed increase of \$8,750,000 is needed to complete the construction of this facility. The scope of the project has not changed since funds were proposed in the 1989 President's Budget.

- (c) An increase of \$7,250,000 for modernization of facilities at the Beltsville Agricultural Research Center, Beltsville, Maryland.

Need for Change. A top priority of the Agricultural Research Service is to reestablish the Beltsville Agricultural Research Center (BARC) as an outstanding center of excellence.

Until the late 1960's, the BARC was considered by national and international peers as the world's leading agricultural research center. Scientific productivity by Beltsville scientists provided research leadership to the nation's agricultural producers and provided new techniques and knowledge needed to develop and maintain strong internationally competitive agricultural industries.

Today, the BARC remains the largest agricultural research center in the world but it has lost some of its national and international reputation. Much of this loss in reputation is because the more than 400 scientists do not have access to modern research facilities and equipment. Most of the buildings were constructed in the mid-1930's and, other than emergency repair and maintenance, there has been relatively little renovation and modernization of facilities. Roads, parking lots, water and sewer lines, and electrical systems are particularly in need of repair or replacement. Many of the buildings need to be reroofed as well as renovation or replacement of heating ventilation, and air conditioning systems. Many of the research laboratories do not have state-of-the-art facilities or equipment. Only if the proper tools are made available to Beltsville scientists can they effectively respond to the challenges of maintaining U.S. dominance of the world's agricultural community.

A facility modernization master plan for the BARC is now being developed by the ARS which will establish priorities and sequencing schedules for essential building renovation and new construction. A total in excess of \$160,000,000 will be required over a multiyear period to modernize the BARC. Through FY 1989, the ARS has already allocated \$21,000,000; several building renovation projects are now complete or underway. For FY 1990, the ARS requests an increase of \$7,250,000 for the improvement of Center-wide support services such as replacement of steamlines, repair of both potable and raw water systems, road and bridge repairs, and electrical equipment and capability.

Nature of Change. In FY 1990 funding in the amount of \$3,583,000 will be reduced under the Salaries and Expenses Appropriation for the Beltsville Agricultural Research Center, Beltsville, Maryland. Additional funds for BARC modernization, \$7,250,000, are requested under the ARS Buildings and Facilities Appropriation. These actions will provide for a more flexible and effective management implementation of BARC repair, renovation and modernization needs. Funding in the amount of \$2,517,000 remains available in the Salaries and Expenses Appropriation specifically for BARC under the line item "Repair and Maintenance of Facilities."

- (d) An increase of \$2,500,000 for Construction of the Southeast Poultry Disease Laboratory, Athens, Georgia.

Need for Change. New demands have been placed on USDA research facilities at the Southeast Poultry Research Laboratory since the avian influenza outbreak which occurred in 1983 and 1984 in Pennsylvania, Virginia, and Maryland. The addition of this facility will provide high containment needs to house research on highly lethal avian influenza. The research laboratory at this location represents the primary effort in ARS to solve avian disease problems associated with pathogens of foreign origin.

This facility will provide both immediate and long-range needs to allow ARS scientists to address the urgent problems in lethal avian influenza and exotic Newcastle disease facing Action Agencies and poultry industry. The facility is of national interest since research with these two exotic avian diseases is restricted to only highest animal containment laboratories.

This increase will provide for an additional animal laboratory wing designed primarily to house infected poultry as well as the necessary support laboratories to carry out essential research on avian influenza, concurrent with exotic Newcastle disease research efforts in the present containment space. This facility would provide for a more complete program of poultry research to solve these exotic diseases.

Nature of Change. The new facility will provide approximately 7,500 square feet and will be a single story multiwinged structure containing animal holding and laboratory spaces designed to safely contain the most hazardous of poultry pathogens. Estimated cost of construction is \$2,500,000.

Agricultural Research Service
Status of Construction Projects as of December 1988

Status of research facilities authorized or funded in prior years and reported as uncompleted in the 1989 Explanatory Notes, is as follows:

NOTE: Design criteria, provided by ARS, specifies the program requirements for the facility and forms the basis for negotiation of architect-engineer contracts. Diagrammatic drawings or concept drawings provide the basis for the first review of the architect's design. Tentative drawings or architect's design are provided by the architect for firming up cost estimates and basis for developing the completed, and final working drawings.

<u>Location and Purpose</u>	<u>Year</u>	<u>Amount of Funds Provided</u>	<u>Description</u>
Arkansas, Fayetteville Poultry Laboratory and Isolation Facility, University of Arkansas	1989 Construction	\$200,000	Project will be handled through a grant process by the Cooperative Research Service.
California, Albany Plant Gene Expression Center, Greenhouse	1989 Construction	700,000	The award of contract for design is scheduled for the first quarter of FY 1989 and should be completed the third quarter of FY 1989. Award of a construction contract will be made the fourth quarter FY 1989 and completed the third quarter of FY 1990.
California, Riverside U.S. Salinity Laboratory	1987 Plans 1989 Construction Total	1,000,000 900,000 <u>1,900,000</u>	A contract for design was awarded the third quarter of FY 1988 and will be completed the first quarter of FY 1990. No construction can be started until the design is complete and the total construction has been funded.
Colorado, Ft. Collins National Seed Storage Laboratory	1988 Plans 1989 Construction Total	1,000,000 2,750,000 <u>3,750,000</u>	A contract for design is scheduled for award the first quarter of FY 1989 and will be completed the second quarter of FY 1990. The project is being designed in accordance with a need for \$11.5 million construction budget. A study is being performed to determine the feasibility of designing two separate construction packages, (approximately \$5.750 million each). No construction can be started until the design is complete and the construction has been funded for one usable package or the entire project.

Status of Construction Projects as of December 1988 (con't.)

<u>Location and Purpose</u>	<u>Year</u>	<u>Amount of Funds Provided</u>	<u>Description</u>
District of Columbia U.S. National Arboretum, Brickyard Upgrade and New York Avenue entrance upgrade	1989 Reprogrammed for Design and Construction	2,000,000 (a)	Design will begin in the second quarter of FY 1989 and be completed in the last quarter of FY 1989. Construction will be awarded in the last quarter of FY 1989 and be completed in the first quarter of FY 1990.
Florida, Gainesville Biotechnology Institute for Research and Development, University of Florida	1989 Plans and Construction	600,000	Project will be handled through a grant process by the Cooperative State Research Service.
Georgia, Athens Biocontainment Research Center, University of Georgia	1989 Construction	467,000	Project will be handled through a grant process by the Cooperative State Research Service.
Hawaii Tropical/Subtropical Center	1989 Feasibility	50,000	Project will be handled through a grant process by the Cooperative State Research Service.
Idaho, Aberdeen Germplasm Collection Facility	1985 Plans 1986 Construction Total	300,000 2,568,600 <u>2,868,600</u>	The A-E design was awarded in the third quarter of FY 1986, and completed in the third quarter of FY 1987. Construction was awarded in the fourth quarter of FY 1987, and completed in the fourth quarter of FY 1988.
Illinois, Urbana National Soybean Laboratory at University of Illinois	1989 Preliminary Planning	250,000	Project will be handled through a grant process by the Cooperative State Research Service.

Status of Construction Projects as of December 1988 (con't.)

<u>Location and Purpose</u>	<u>Year</u>	<u>Amount of Funds Provided</u>	<u>Description</u>
Iowa, Ames National Soil Tilth Center	1984 Plans 1985 Construction Total	800,000 11,100,000 <u>11,900,000</u>	Construction was awarded in the first quarter of FY 1987 and completion is scheduled in the first quarter of FY 1989.
Nutrition Research Center, Iowa State University	1989 Preliminary Planning	290,000	Project will be handled through a grant process by the Cooperative State Research Service.
National Center for Food and Industrial Agricultural Product Development	1989 Construction	1,700,000	Project will be handled through a grant process by the Cooperative State Research Service.
Kansas, Manhattan Plant Science Center, Kansas State University	1989 Construction	1,350,000	Project will be handled through a grant process by the Cooperative State Research Service.
Maryland, Beltsville Building 007 (\$2 Million) General upgrading of Facilities (\$2.6 Million) Clean and Reline Water Lines (\$1.15 Million)	1988 Plans and Construction	5,750,000	Development of an overall plan to guide future project development is underway and should be completed by December, 1989. Funds appropriated in FY 1988 will be directed to a number of specific projects which will be necessary for the modernization of the Beltsville location under any planning scenario. Specific projects include water line replacement and other utility upgrades. Also included are renovations of Buildings 007 and 204. The Building 007 contract was awarded during the fourth quarter of FY 1988 and the Building 204 contract will be awarded during the second quarter of FY 1989. Other projects will be identified and funded as planning proceeds.

Status of Construction Projects as of December 1988 (con't.)

<u>Location and Purpose</u>	<u>Year</u>	<u>Amount of Funds Provided</u>	<u>Description</u>
Michigan, East Lansing Food Toxicology Center, Michigan State University	1989 Preliminary Planning	1,250,000	Project will be handled through a grant process by the Cooperative State Research Service.
Mississippi, Oxford Cooperative Center for Technological Development of Natural Products, University of Mississippi	1989 Planning	400,000	Project will be handled through a grant process by the Cooperative State Research Service.
Montana, Bozeman Bioscience Research Laboratory, Montana State University	1989 Feasibility	50,000	Project will be handled through a grant process by the Cooperative State Research Service.
Nebraska, Clay Center Animal Health System Research Laboratory	1986 Reprogrammed for Planning and Construction	4,000,000	An A-E design contract was awarded the first quarter of FY 1987 and completed during the second quarter of FY 1988. Construction of the facility started the fourth quarter of FY 1988 and is scheduled for completion during the first quarter of FY 1990.
Nebraska, Lincoln Center for Advanced Technology, University of Nebraska	1989 Preliminary Planning	250,000	Project will be handled through a grant process by the Cooperative State Research Service.

Status of Construction Projects as of December 1988 (con't.)

<u>Location and Purpose</u>	<u>Year</u>	<u>Amount of Funds Provided</u>	<u>Description</u>
Nebraska, Lincoln (con't.)			
Old West Regional	1983 Plans	827,000	Funds originally authorized for the establishment of the
College of Veterinary	1984 Construction	12,050,000	Old West Regional College of Veterinary Medicine have
Medicine	1986 Reprogrammed	-4,000,000	been reprogrammed. Funds in the amount of \$4,000,000 were
	1986 Transferred		reprogrammed for construction and equipping of a facility
	to CSRS	-7,000,000	for advanced studies in food animal medicine at Clay
	1988 Transferred		Center, Nebraska. A total of \$7,000,000 was allocated to
	to CSRS	-250,000	the Cooperative State Research Service in FY 1986. An
	Total	<u>1,627,000</u>	additional \$250,000 was allocated to CSRS in FY 1988. The
			balance of available funds will be used for the Meat Animal
			Research Animal Center in Clay Center, with approximately one-
			half of the funds to be used for equipment for the herd health
			system and the other one-half to be used for equipment for the
			meat safety assurance program.
New Jersey, New Brunswick	1989 Preliminary	250,000	Project will be handled through a grant process by the
Center for Agricultural	Planning		Cooperative State Research Service.
Molecular Biology, Rutgers University			
New York, Plum Island	1973 Plan	250,000	Design to consolidate all laboratory facilities and
Plum Island Animal	1976 Construction	10,000,000	evaluate the use of the existing vaccine research
Disease Center	1977 Redirection	294,000 (b)	laboratory structure for joint Agricultural Research
	1977 Redirection	700,000 (c)	Service and Animal and Plant Health Inspection
	1978 Redirection	900,000 (d)	Service is scheduled to be completed the fourth
	1981 Construction	10,100,000	quarter of FY 1990. Construction should be completed
	Total	<u>22,244,000</u>	by the second quarter of FY 1992.
	1989 Recovered Funds	7,805,000 (e)	Proposed facility charges for the completion of this
			construction should not exceed \$9,000,000. An
			unobligated balance of \$1,194,612 plus \$7,805,388 in
			funds recovered from prior year obligations and contract
			default settlement will provide that amount. These
			funds are to be used for consolidation of facilities at Plum
			Island.

Status of Construction Projects as of December 1988 (con't.)

<u>Location and Purpose</u>	<u>Year</u>	<u>Amount of Funds Provided</u>	<u>Description</u>
<u>North Dakota, Fargo</u> <u>Industrial Agricultural</u> <u>and Communication</u> <u>Center, North Dakota</u> <u>State University</u>	1989 Feasibility and Planning	535,000	Project will be handled through a grant process by the Cooperative State Research Service.
<u>Sunflower and Sugarbeet</u> <u>Research Laboratory</u>	1984 Plans 1985 Construction Total	800,000 9,100,000 9,900,000	Construction of this facility was completed the third quarter of FY 1988.
<u>North Dakota, Grand Forks</u> <u>Institute for Earth</u> <u>Systems Science,</u> <u>University of North</u> <u>Dakota</u>	1989 Plans and Construction	4,200,000	Project will be handled through a grant process by the Cooperative State Research Service.
<u>South Dakota, Brookings</u> <u>Northern Plains</u> <u>Biostress Laboratory,</u> <u>South Dakota State</u> <u>University</u>	1989 Feasibility and Planning	100,000	Project will be handled through a grant process by the Cooperative State Research Service.
<u>Oklahoma, Lane</u> <u>South Central</u> <u>Agricultural Research</u> <u>Center</u> <u>Phase III Construction</u>	1989 Plans	140,000	Negotiate and award a contract for design of Phase III during the second quarter of FY 1989 which should be completed the first quarter of FY 1990.
<u>Oregon, Corvallis</u> <u>National Forage Seed</u> <u>Production Research</u>	1983 Plans 1984 Construction Total	750,000 3,200,000 3,950,000	The construction contract was extended to the first quarter of FY 1989 in order to correct deficiencies in the laboratory-office building's heating and ventilation system (variable frequency drive system).

Status of Construction Projects as of December 1988 (con't.)

<u>Location and Purpose</u>	<u>Year</u>	<u>Amount of Funds Provided</u>	<u>Description</u>
<u>Oregon, Corvallis (con't.)</u> <u>Agricultural Research</u> <u>Facility, Oregon</u> <u>State University</u>	1988 Construction	10,000,000 (f)	Project will be handled through a grant process by the Cooperative State Research Service.
<u>South Carolina, Charleston</u> <u>U.S. Vegetable</u> <u>Laboratory</u>	1988 Feasibility	50,000	Contract for the pre-design will be awarded the first quarter of FY 1989 and will be completed the third quarter of FY 1989.
<u>Texas, Dallas</u> <u>Biomedical Clinic,</u> <u>University of Texas</u>	1989 Preliminary Planning	950,000	Project will be handled through a grant process by the Cooperative State Research Service.
<u>Texas, College Station</u> <u>Institute of Biosciences</u> <u>and Technology, Texas</u> <u>A&M University</u>	1989 Construction	1,250,000	Project will be handled through a grant process by the Cooperative State Research Service.
<u>Texas, Houston</u> <u>Children's Nutrition</u> <u>Research Center</u>	1984 Plans 1984 Construction Total	5,500,000 49,000,000 <u>54,500,000</u>	Construction for the superstructure was awarded in the fourth quarter of FY 1986. All work is scheduled for completion in the first quarter of FY 1989.
<u>Texas, Lubbock</u> <u>Plant Stress and Water</u> <u>Conservation</u> <u>Laboratory</u>	1978 Feasibility Study 1979 Plans 1984 Plans Total	100,000 800,000 500,000 <u>1,400,000</u>	The project is on hold since a lease agreement for the site has not been finalized and construction funding is not available. Design of the central laboratory is complete. Design of the greenhouse/greenhouse and some necessary redesign to the central laboratory (due to site location change) are on hold.

Status of Construction Projects as of December 1988 (con't.)

<u>Location and Purpose</u>	<u>Year</u>	<u>Amount of Funds Provided</u>	<u>Description</u>
Vermont, Burlington Maple Research Laboratory, University of Vermont	1989 Feasibility	50,000	Project will be handled through a grant process by the Cooperative State Research Service.
Stafford-Aiken Center for Microbiology and Agricultural Sciences University of Vermont	1989 Construction	1,400,000	Project will be handled through a grant process by the Cooperative State Research Service.
Virginia, Blacksburg, Virginia/Maryland Regional College of Veterinary Medicine	1989 Feasibility	50,000	Project will be handled through a grant process by the Cooperative State Research Service.
Virginia, Leesburg Agricultural Biotechnology Facility, Virginia Tech	1989 Preliminary Planning	100,000	Project will be handled through a grant process by the Cooperative State Research Service.
Washington, Pullman Food and Nutrition Research Center, Washington State University	1989 Construction	3,405,000	Project will be handled through a grant process by the Cooperative State Research Service.
Washington, Spokane Regional Center for Information and Technology Transfer, Gonzaga University	1989 Construction	1,875,000	Project will be handled through a grant process by the Cooperative State Research Service.

Status of Construction Projects as of December 1988 (con't.)

<u>Location and Purpose</u>	<u>Year</u>	<u>Amount of Funds Provided</u>	<u>Description</u>
Washington, Yakima U.S. Fruit and Vegetable Laboratory	1988 Plans 1989 Construction Total	1,000,000 900,000 <u>1,900,000</u>	A-E contract award will be made the second quarter of FY 1989. Design is scheduled for completion the second quarter of FY 1990. No construction work can be started until the design is complete and the total construction has been funded.
West Virginia, Morgantown Poultry Research Facility West Virginia University	1989 Construction	1,888,000	Project will be handled through a grant process by the Cooperative State Research Service.
Wisconsin, Madison Agricultural Biotechnology and Genetics Building, University of Wisconsin	1989 Feasibility	50,000	Project will be handled through a grant process by the Cooperative State Research Service.

Status of Construction Projects as of December 1988 (con't.)

Footnotes:

- (a) Funds recovered from Plum Island, N.Y. for contract settlement in the amount of \$2,000,000 are redirected for this project.
- (b) \$194,000 was redirected from the air pollution abatement and sewage treatment project to provide funds for pollution abatement facilities in the animal and laboratory project as originally planned. An additional \$100,000 has been redirected into the animal and laboratory projects from program funding.
- (c) Due to cost escalation and to provide funds to complete facilities as originally planned and designed at the Beckley, West Virginia project and the Plum Island animal and laboratory project, funds in the amount of \$2,209,000, were redirected from Kearneysville, West Virginia. \$1,509,000 was transferred to Beckley and \$700,000 to PIADC.
- (d) Program funds in the amount of \$900,000 were reprogrammed to fund additional costs for this project.
- (e) The ARS has to date recovered \$10,631,316 in satisfaction of judgment from prior year obligations and contract default settlement for the Planning and Construction of the Animal Diagnostic Center and the Animals Holding Wing at Plum Island, New York. The recovered funds are redirected as follows:

Greenport, Long Island, NY	Construction of the Animal Holding Wing at Plum Island, NY. Animal Disease Center	\$7,805,388
Washington, D.C.	Construction project at the National Arboretum entrance at the New York Avenue corridor	2,000,000
Beltsville, MD	Beltsville Agricultural Research Center	<u>825,928</u>
	Total.....	<u>10,631,316</u>

- (f) Pursuant to Congressional Directive only a portion of the \$10,000,000 appropriated in FY 1988 was available for immediate obligation, \$2,500,000. The remainder, \$7,500,000, was deferred until FY 1989.

AGRICULTURAL RESEARCH SERVICE

Passenger Motor Vehicles

The 1990 Budget Estimate does not include the purchase of additional passenger motor vehicles above the 472 passenger motor vehicles presently owned.

The passenger motor vehicles of Agricultural Research Service are used almost exclusively by professional research investigators and technical consultants. In the course of their daily work these personnel may need to travel to individual farms, ranches, commercial firms, State agricultural experiment stations, etc. In this type of work a high degree of mobility is required. Use of common carriers is seldom feasible.

It is the policy of ARS to pool the use of motor vehicles for different activities in order to keep the number of vehicles to a minimum and reduce overall costs of maintenance. Monthly vehicle operation reports are required and periodic surveys are made to determine the extent to which vehicles are being used and their condition.

Replacement of passenger motor vehicles.

It is proposed to replace 70 of 472 vehicles (including 8 buses) currently in operation. These vehicles are located at field stations and are used in connection with research studies and technical assistance. All vehicles proposed for replacement have a mileage of more than 60,000 and are more than 6 years of age.

Age and Mileage Data for passenger-carrying vehicles on hand as of September 30, 1988.

<u>Age-Year Model</u>	<u>Number of Vehicles*</u>	<u>Percent of Total</u>	<u>Lifetime Mileage (thousands)</u>	<u>Number of Vehicles*</u>	<u>Percent of Total</u>
1983-older	271	57			
1984	71	15	80-over	47	10
1985	30	6	60-80	81	17
1986	40	9	40-60	131	28
1987	24	5	20-40	113	24
1988	36	8	Under 20	100	21
Total	<u>472</u>	<u>100</u>		<u>472</u>	<u>100</u>

*Includes 6 vehicles used in foreign countries and 8 buses.

Aircraft

The Agency currently maintains a fleet of seven aircraft, located at College Station, Texas, and Weslaco, Texas. These specially modified and equipped research aircraft are used in the development of pest control methods, application of agricultural materials, radar tracking of airborne insect migration, infrared and color photography, and evaluating effects of weather on agriculture. After a careful review of program and anticipated maintenance costs and requirements of the aircraft, it has been determined that one of the seven aircraft can be declared excess to Agency needs at College Station, Texas.

ARS may need to acquire a replacement aircraft to carry out the needs of the Pesticide Application Technology Research Program at Stoneville, Mississippi. This new program was authorized in the FY 1988 appropriation process.

COOPERATIVE STATE RESEARCH SERVICE

Purpose Statement

Cooperative State Research Service is the U.S. Department of Agriculture's principal entree to the university system of the United States for the purpose of conducting agricultural research as authorized by the Hatch Act of 1887, as amended (7 U.S.C. 361a-361i); the Cooperative Forestry Research Act of 1962, as amended (16 U.S.C. 582a-7); Public Law 89-106, Section (2), as amended (7 U.S.C. 450i); and the National Agricultural Research, Extension, and Teaching Policy Act of 1977, as amended (7 U.S.C. 3101 et seq.). Through these authorities, the U.S. Department of Agriculture participates with State and other sources of funding to encourage and assist the State institutions in the conduct of agricultural research through the State Agricultural Experiment Stations of the 50 States and the territories; by approved Schools of Forestry; the 1890 Land-Grant Institutions and Tuskegee University; Colleges of Veterinary Medicine; and other eligible institutions.

Cooperative State Research Service participates in a nationwide system of agricultural research program planning and coordination among the State institutions, U.S. Department of Agriculture and the agricultural industry of America. Program coordination and planning are carried out by a Cooperative State Research Service staff located entirely in the Washington, D.C. area. This headquarters unit serves more than 12,000 scientists in the university system of the United States. As of September 30, 1988, there were 163 full-time employees and 8 other than full-time employees.

COOPERATIVE STATE RESEARCH SERVICE

Available Funds and Staff-Years

1988 Actual and Estimated, 1989 and 1990

Item	1988 Actual	Staff: Years	1989 Estimated	Staff: Years	1990 Estimated	Staff: Years
Cooperative State Research Service....	352,019,000	155	340,917,000	140	295,398,000	150
Obligations under other USDA						

appropriations:						

Agricultural Research Service:						
Agricultural Film	20,000	- -	- -	- -	- -	- -
Analysis of Earmarked Agricultural						
Research and Research Facilities ..	30,000	- -	- -	- -	- -	- -
Office of Small Scale Agriculture ..	70,312	1	75,157	1	75,157	1
Office of Special Projects and						
Program Systems.....	18,542	0.5	20,997	0.5	20,997	0.5
Impacts of Biotechnology	43,000	- -	- -	- -	- -	- -
Evaluations Studies.....	284,561	- -	400,000	- -	400,000	- -
Options for Kentucky Agriculture ...	29,500	- -	- -	- -	- -	- -
Groundwater Workshop	- -	- -	10,000	- -	- -	- -
Animal and Plant Health Inspection						
Service, Leafy Spurge Research	263,741	- -	- -	- -	- -	- -
Extension Service:						
Funigicide Assessment Study	30,000	- -	- -	- -	- -	- -
Office of Special Projects and						
Program Systems.....	18,542	0.5	20,997	0.5	20,997	0.5
Food Safety and Inspection Service,						
Veterinary Products Information						
System	42,660	- -	42,660	- -	- -	- -
Office of the Secretary,						
Agricultural Film	30,000	- -	- -	- -	- -	- -
Various agencies sharing cost of						
USDA Small Business Innovation						
Research Program (SBIR).....	261,313	- -	261,313	- -	261,313	- -
Various research agencies sharing						
cost of Current Research Information:						
System (CRIS).....	741,600	8	721,500	8	721,500	8
Miscellaneous Reimbursements.....	- -	- -	1,504,946	- -	1,203,677	- -
Total, Other USDA Appropriations....	1,883,771	10	3,057,570	10	2,703,641	10
Total Agriculture Appropriations....	353,902,771	165	343,974,570	150	298,101,641	160

Other Federal Funds:						

AID-PASA, Nitrogen fixation.....	- -	- -	241,071	- -	- -	- -
AID-PASA, International Research						
Centers.....	774,603	- -	484,127	- -	484,127	- -
Forest Service:						
Forest and Related Range Research ..	5,100	- -	- -	- -	- -	- -
Atmospheric deposition	73,912	- -	75,020	- -	75,020	- -
General Services Administration,						
Relocation of the Cooperative State						
Research Service	149,751	- -	- -	- -	- -	- -

	: 1988	:	: 1989	:	: 1990	:
	: Actual	:	: Estimated	:	: Estimated	:
Item	: Amount	: Staff:	Amount	: Staff:	Amount	: Staff
	: Years:		: Years:			: Years
Department of Interior:	:	:	:	:	:	:
Geological Survey, Atmospheric	:	:	:	:	:	:
deposition.....	421,639	: - -	488,535	: - -	488,535	: - -
National Park Service:	:	:	:	:	:	:
Atmospheric deposition.....	31,000	: - -	28,893	: - -	28,893	: - -
Bureau of Land Management,	:	:	:	:	:	:
Atmospheric deposition.....	77,344	: - -	81,360	: - -	81,360	: - -
Department of Defense, Guayule	131,700	: - -	200,000	: - -	- -	: - -
Department of Commerce, NOAA,	:	:	:	:	:	:
Atmospheric deposition.....	79,674	: - -	75,192	: - -	75,192	: - -
Tennessee Valley Authority,	:	:	:	:	:	:
Atmospheric deposition.....	15,392	: - -	15,808	: - -	15,808	: - -
Environmental Protection Agency,	:	:	:	:	:	:
Atmospheric deposition.....	27,898	: - -	47,424	: - -	47,424	: - -
National Institutes of Health, Room	:	:	:	:	:	:
Air and Air Contaminant Symposium .:	- -	: - -	5,000	: - -	- -	: - -
Total, Other Federal Funds.....:	1,788,013	: - -	1,742,430	: - -	1,296,359	: - -
Total, Cooperative State Research	:	:	:	:	:	:
Service.....	:355,690,784	: 165	:345,717,000	: 150	:299,398,000	: 160

	1988	1989	1990
	Actual	Estimated	Estimated
Full-Time Equivalent Staff-Years:			
Ceiling.....	165	150	160
Non-ceiling.....	3	3	3
Total.....	168	153	163

COOPERATIVE STATE RESEARCH SERVICE

Permanent Positions by Grade and Staff-Year Summary

1988 and Estimated 1989 and 1990

Grade	: 1988 : Headquarters	: : 1989 : : Headquarters	: : 1990 : : Headquarters
ES-6	: 1	: : 1	: : 1
ES-5	: 2	: : 2	: : 2
ES-4	: 2	: : 2	: : 2
GS-16	: 1	: : 1	: : 1
GS/GM-15	: 32	: : 32	: : 32
GS/GM-14	: 15	: : 15	: : 15
GS/GM-13	: 9	: : 9	: : 9
GS-12	: 14	: : 14	: : 14
GS-11	: 8	: : 8	: : 8
GS-9	: 14	: : 14	: : 14
GS-8	: 5	: : 5	: : 5
GS-7	: 21	: : 21	: : 21
GS-6	: 22	: : 22	: : 22
GS-5	: 12	: : 12	: : 12
GS-4	: 17	: : 17	: : 17
GS-3	: 1	: : 1	: : 1
Total Permanent Positions ...	: 176	: : 176	: : 176
Staff Years:			
Ceilings	: 165	: : 150	: : 160
Non-ceiling ...	: 3	: : 3	: : 3
Total.....	: 168	: : 153	: : 163

COOPERATIVE STATE RESEARCH SERVICE

CLASSIFICATION BY OBJECTS

1988 and Estimated 1989 and 1990

	1988	1989	1990
Personnel Compensation:			
Headquarters	\$5,835,825	\$6,005,825	\$6,061,379
Field	- -	- -	- -
11 Total Personnel Compensation.....	5,835,825	6,005,825	6,061,379
12 Personnel Benefits	779,270	806,270	813,616
13 Benefits for former personnel	5,664	5,664	5,664
Total Pers. Comp. & Benefits .	6,620,759	6,817,759	6,880,659
Other Objects:			
21 Travel	1,037,583	909,725	942,475
22 Transportation of things	23,183	15,350	15,350
23.3 Communications, utilities & miscellaneous charges	266,657	412,527	412,527
24 Printing and reproduction.	257,935	189,402	189,402
25 Other services	3,626,359	3,884,980	1,687,750
26 Supplies and materials ...	152,855	160,456	160,456
31 Equipment	417,114	350,000	350,000
41 Grants, subsidies and contributions	369,851,451	335,986,801	284,759,381
Total other objects.....	375,633,137	341,909,241	288,517,341
Total direct obligations	382,253,896	348,727,000	295,398,000
Position Data:			
Average Salary, ES positions .	\$75,060	\$78,140	\$78,140
Average Salary, GS/GM positions	\$35,577	\$37,613	\$37,613
Average Grade, GS/GM positions	9.68	9.67	9.67

COOPERATIVE STATE RESEARCH SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Cooperative State Research Service:

- For payments to agricultural experiment stations, for cooperative forestry and other research, for facilities, and for other expenses, including \$155,545,000 to carry into effect the provisions of the Hatch Act approved
- 1 March 2, 1887, as amended [by the Act approved August 11, 1955 (7 U.S.C. 361a-361i), and further amended by Public Law 92-318 approved June 23, 1972, and further amended by Public Law 93-471 approved October 26, 1974], including administration by the United States Department of Agriculture, and penalty mail costs of agricultural experiment stations under section 6 of the Hatch Act of 1887, as amended, and payments under section 1361(c) of the Act of October 3, 1980 (7 U.S.C. 301n.); [~~\$17,500,000~~] \$12,975,000 for grants for cooperative forestry research under the Act approved October 10,
 - 2 1962 (16 U.S.C. 582a--582a-7), as amended [by Public Law 92-318 approved June 23, 1972], including administrative expenses, and payments under section 1361(c) of the Act of October 3, 1980 (7 U.S.C. 301n.); [~~\$24,333,000~~] \$25,333,000 for payments to the 1890 land-grant colleges, including Tuskegee University, for research under section 1445 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (Public Law 95-113), as amended, including administration by the United States Department of Agriculture, and penalty mail costs of the 1890 land-grant colleges, including Tuskegee University; [~~\$41,886,000~~] \$15,123,000 for contracts and grants for agricultural research under the Act of August 4, 1965, as amended (7 U.S.C. 450i); [~~\$39,716,000~~] \$63,542,000 for competitive research grants, including administrative
 - 3 expenses; [~~\$5,476,000~~] \$5,476,000 for the support of animal health and disease programs authorized by section 1433 of Public Law 95-113, including administrative expenses; \$1,025,000 for supplemental and alternative crops and products as authorized by the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3319d); \$3,668,000 [~~\$668,000~~] \$668,000 for grants
 - 4 [for research and construction of facilities] to conduct research pursuant to the Critical Agricultural Materials Act of 1984 (7 U.S.C. 178); [and section 1472 of the Food and Agriculture Act of 1977, as amended (7 U.S.C. 3318), to remain available until expended; \$475,000 for rangeland research grants as authorized by Subtitle M of the National Agricultural Research, Extension, and Teaching Policy Act of 1977, as amended; \$4,754,000] \$5,000,000 for higher education grants under section 1417(a) of
 - 5 Public Law 95-113, as amended (7 U.S.C. 3152(a)); [~~\$3,750,000~~] \$3,750,000 for grants as authorized by section 1475 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 and other Acts; \$3,000,000 for a groundwater quality program; \$3,152,000 for grants to States for the establishment and operation of international trade development centers, as authorized by the National Agricultural Research, Extension, and Teaching Policy Act of 1977, as amended (7 U.S.C. 3292); \$4,450,000 for low-input agriculture as authorized by the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 4701-4710);] \$5,000,000 for a
 - 6 forestry competitive grants program; and [~~\$6,377,000~~] \$12,212,000 for necessary expenses of Cooperative State Research Service activities, including coordination and program leadership for higher education work of the Department, administration of payments to State agricultural experiment stations, funds for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$100,000 for employment under 5 U.S.C. 3109; in all, [~~\$315,107,000~~] \$295,398,000: Provided, That no funds shall be available in fiscal year
 - 7 1990 or thereafter for payments under the Act of August 30, 1890 and the tenth and eleventh paragraphs under the heading "Emergency Appropriations" of the Act of March 4, 1907 (7 U.S.C. 321 et seq.).

The first and second changes delete additional reference to amendments to the Hatch Act and the Act of October 10, 1962 (McIntire-Stennis Cooperative Forestry Research). These citations are not necessary.

The third change deletes language for animal health and disease research program authorized by section 1433 of Public Law 95-113 and supplemental and alternative crops and products as authorized by P.L. 95-113 (7 U.S.C. 3319d). No funding is proposed for these programs in fiscal year 1990.

The fourth change deletes language for construction authorized by the Critical Agricultural Materials Act of 1984, and rangeland research grants as authorized by Subtitle M of Public Law 95-113. No funding is proposed for these programs in fiscal year 1990.

The fifth change deletes language for grants for the aquaculture centers as authorized by section 1475 of P.L. 95-113, grants for a groundwater quality program, grants for international trade development centers as authorized by section 1458A of P.L. 95-113, and grants for low-input agriculture as authorized by Subtitle C of P.L. 99-198. No funding is proposed for these programs in fiscal year 1990.

The sixth change provides language for a new Forestry Competitive Grants program.

The seventh change would provide language to override the Morrill-Nelson Permanent Appropriation. No funding is proposed for this program in fiscal year 1990. Higher education in the food and agricultural sciences at land-grant institutions has been supported through a permanent appropriation in the Second Morrill Act of 1890.

COOPERATIVE STATE RESEARCH SERVICE

Appropriation Act, 1989	\$315,107,000
Morrill-Nelson	2,850,000
Total, Appropriation Act, 1989	<u>317,957,000</u>
Budget Estimate, 1990	295,398,000
Decrease in Appropriation	<u>-22,559,000</u>
	=====

Adjustments in 1989:

Appropriation Act, 1989	\$317,957,000	
Activities transferred from Agricultural Research Service Buildings and Facilities a/ ..	<u>+22,960,000</u>	
Adjusted base for 1989		340,917,000
Budget estimate, 1990		<u>295,398,000</u>
Decrease from adjusted 1989		<u>-45,519,000</u>
		=====

a/ Pursuant to the Fiscal Year 1989 Appropriation Act, funds for university facilities were transferred to this account from the Agricultural Research Service Buildings and Facilities account.

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Payments under the Hatch Act	\$155,545,000	- -	\$155,545,000
Cooperative forestry research ...	17,500,000	-\$4,525,000	12,975,000
Payments to 1890 colleges and Tuskegee University	24,333,000	+1,000,000	25,333,000
Special research grants	61,406,000	-45,615,000	15,791,000
Competitive research grants	39,716,000	+23,826,000	63,542,000
Animal health and disease research, Section 1433	5,476,000	-5,476,000	- -
Federal administration (direct appropriation)	6,377,000	+5,835,000	12,212,000
Higher Education	7,604,000	-2,604,000	5,000,000
Forestry competitive grants	- -	+5,000,000	5,000,000
Buildings and facilities	<u>22,960,000</u>	<u>-22,960,000</u>	<u>- -</u>
Total Available	<u>340,917,000</u>	<u>-45,519,000</u>	<u>295,398,000</u>
	=====	=====	=====

PROJECT STATEMENT
(On basis of appropriation)

Project	1988 Actual		1989 Estimated		Increase or Decrease	1990 Estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
1. Hatch Act							
Research program:							
Formula funds	\$114,061,258		\$114,941,948		- -	\$114,941,948	
Regional research.	36,172,313		36,172,313		- -	36,172,313	
Subtotal	150,233,571		151,114,261		- -	151,114,261	
Federal Admin. (3%)	4,406,325		4,430,739		- -	4,430,739	
Total	154,639,896	64	155,545,000	58	- -	155,545,000	66
2. Cooperative Forestry							
Research:							
Research program ..	16,975,000		16,975,000		-\$4,389,250	12,585,750	
Federal Admin. (3%)	525,000		525,000		-135,750	389,250	
Total	17,500,000	5	17,500,000	5	-4,525,000 (1)	12,975,000	5
3. Payments to 1890							
Colleges & Tuskegee							
University:							
Research program ..	22,633,010		23,603,010		+970,000	24,573,010	
Federal Admin. (3%)	699,990		729,990		+30,000	759,990	
Total	23,333,000	8	24,333,000	8	+1,000,000 (2)	25,333,000	8
4. Special Research							
Grants:							
Acid precipitation .	661,000		661,000		- -	661,000	
Agricultural diversi-							
fication & specialty:							
crops, Hawaii	156,000		156,000		-156,000	- -	
Agricultural trade,							
North Dakota	- -		600,000		-600,000	- -	
Agricultural Policy							
Institute, Iowa &							
Missouri	425,000		463,000		-463,000	- -	
Agricultural utiliza-							
tion, Minnesota ...	- -		200,000		-200,000	- -	
Alternative cropping							
systems in the							
Southeast, S. Carolina:	285,000		285,000		-285,000	- -	
Alternative to							
Dinoseb, Oregon ...	- -		150,000		-150,000	- -	
Alternative fuels,							
North Dakota	370,000		- -		- -	- -	
Alternative pest							
control, Arkansas .	- -		1,400,000		-1,400,000	- -	
Animal health							
research	5,705,000		5,705,000		-5,705,000	- -	
Apple quality re-							
search, Michigan ..	95,000		95,000		-95,000	- -	
Aquaculture research							
(general)	660,000		520,000		-520,000	- -	
Aquaculture, Stone-							
ville, Mississippi.	500,000		588,000		-588,000	- -	
Asparagus yield							
decline, Michigan .	95,000		95,000		-95,000	- -	
Bean and beet re-							
search, Michigan ..	93,000		190,000		-190,000	- -	
Belgian endive, Mass.	60,000		60,000		-60,000	- -	
Biocontrol of grass-							
hoppers, Kansas ...	48,000		- -		- -	- -	
Biomass from dairy							
processing waste,							
Missouri	285,000		- -		- -	- -	
Blueberry shoestring							
virus, Michigan ...	92,000		92,000		-92,000	- -	
Broom snakeweed,							
New Mexico	- -		100,000		-100,000	- -	

Project	1988 Actual		1989 Estimated		Increase or Decrease	1990 Estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
Celery fusarium, Michigan	- -	:	\$40,000	:	-\$40,000	- -	:
Cranberry/blueberry disease & breeding, New Jersey	\$260,000	:	260,000	:	-260,000	- -	:
Dairy & beef photo-period, Michigan ..	33,000	:	33,000	:	-33,000	- -	:
Dairy goat research, Prairie View A&M, Texas	95,000	:	- -	:	- -	- -	:
Dark-end syndrome of potatoes	150,000	:	150,000	:	-150,000	- -	:
Delta rural revitalization, Mississippi ..	- -	:	175,000	:	-175,000	- -	:
Dried bean research, North Dakota	75,000	:	75,000	:	-75,000	- -	:
EDB replacement, Hawaii	285,000	:	285,000	:	-285,000	- -	:
Environmental contamination, North Dakota:	500,000	:	- -	:	- -	- -	:
Expanded wheat pasture, Oklahoma ..	- -	:	400,000	:	-400,000	- -	:
Floriculture, Hawaii ..	- -	:	300,000	:	-300,000	- -	:
Food Marketing Policy Center, Connecticut:	150,000	:	285,000	:	-285,000	- -	:
Food processing, Mississippi	195,000	:	173,000	:	-173,000	- -	:
Food Safety Consortium	- -	:	1,400,000	:	-1,400,000	- -	:
Food systems group, Wisconsin	148,000	:	148,000	:	-148,000	- -	:
Fruit & vegetable production & marketing, Kentucky	142,000	:	- -	:	- -	- -	:
Grasshopper biocontrol, North Dakota:	- -	:	69,000	:	-69,000	- -	:
Human nutrition, New York	- -	:	450,000	:	-450,000	- -	:
Integrated pest management	2,940,000	:	2,940,000	:	- -	\$2,940,000	:
Integrated production systems, Oklahoma	188,000	:	188,000	:	-188,000	- -	:
Integrated reproduction management, Nebraska	95,000	:	75,000	:	-75,000	- -	:
International livestock program, Kansas	95,000	:	95,000	:	-95,000	- -	:
Iowa Biotechnology Consortium	- -	:	1,225,000	:	-1,225,000	- -	:
Livestock & dairy policy, New York & Texas	- -	:	450,000	:	-450,000	- -	:
Low-input agric., Minnesota	100,000	:	100,000	:	-100,000	- -	:
Maple research, Vermont	100,000	:	100,000	:	-100,000	- -	:
Michigan Biotechnology Institute ...	- -	:	1,750,000	:	-1,750,000	- -	:
Midwest Plant Biotech. Consortium ..	- -	:	1,750,000	:	-1,750,000	- -	:
Milk consumption, Pennsylvania	285,000	:	285,000	:	-285,000	- -	:
Milkweed research, Nebraska	- -	:	68,000	:	-68,000	- -	:
Minor use animal drugs	229,000	:	229,000	:	- -	229,000	:

Project	1988 Actual		1989 Estimated		Increase or Decrease	1990 Estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
Mosquito research, riceland agro-ecosystem	\$456,000	:	\$456,000	:	-\$456,000	- -	:
Multi-cropping strategies for aquaculture, Hawaii ...	152,000	:	152,000	:	-152,000	- -	:
National Biological Impact Assessment Program	- -	:	125,000	:	- -	\$125,000	:
Native wildflowers, New Mexico	50,000	:	- -	:	- -	- -	:
New uses for agricultural products, Ohio:	133,000	:	133,000	:	-133,000	- -	:
Peach tree short life, South Carolina:	183,000	:	192,000	:	-192,000	- -	:
Pesticide clearance:	1,369,000	:	1,369,000	:	+631,000	2,000,000	:
Pesticide impact assessment	1,968,000	:	2,218,000	:	+250,000	2,468,000	:
Plastic from corn-starch, Nebraska ..	- -	:	40,000	:	-40,000	- -	:
Potato research	997,000	:	1,177,000	:	-1,177,000	- -	:
Poultry research, Arkansas	500,000	:	- -	:	- -	- -	:
Preservation and processing, Oklahoma ..	267,000	:	267,000	:	-267,000	- -	:
Prime farmland reclamation, Illinois & Kentucky	450,000	:	450,000	:	-450,000	- -	:
Remote sensing, Kansas	191,000	:	- -	:	- -	- -	:
Rural development centers	475,000	:	500,000	:	-500,000	- -	:
Russian wheat aphid:	- -	:	100,000	:	-100,000	- -	:
Sandhills grazing management practices: Nebraska	100,000	:	100,000	:	-100,000	- -	:
Satellite assessment of drought, Oklahoma:	- -	:	300,000	:	-300,000	- -	:
Seedstocks enhancement, North Dakota:	- -	:	200,000	:	-200,000	- -	:
Soil erosion in Pacific Northwest ..	591,000	:	591,000	:	-591,000	- -	:
Southwest Consortium for plant genetics & water resources ...	385,000	:	385,000	:	-385,000	- -	:
Soybean cyst nematode, Missouri	285,000	:	285,000	:	-285,000	- -	:
Stone fruit decline, Michigan	285,000	:	285,000	:	-285,000	- -	:
Stored grain insects, Kansas	285,000	:	285,000	:	-285,000	- -	:
Sunflower insects, North Dakota and South Dakota	190,000	:	190,000	:	-190,000	- -	:
TCK smut (wheat) ...	193,000	:	193,000	:	-193,000	- -	:
Tropical & sub-tropical research ..	3,091,000	:	3,341,000	:	-3,341,000	- -	:
Water management, Alabama	- -	:	300,000	:	-300,000	- -	:
Water quality	- -	:	- -	:	+6,700,000	6,700,000	:
Wheat genetics, Kansas	- -	:	100,000	:	-100,000	- -	:
Wool research, Texas:	142,000	:	142,000	:	-142,000	- -	:
Wood utilization ...	2,852,000	:	2,852,000	:	-2,852,000	- -	:
World food systems, Indiana and Ohio ..	- -	:	300,000	:	-300,000	- -	:
Federal Admin. (4%):	(1,247,400)	:	(1,675,440)	:	(-1,070,520)	(604,920)	:
Total	31,185,000	:	41,886,000	:	-26,763,000	15,123,000	:

Project	1988 Actual		1989 Estimated		Increase or Decrease	1990 Estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
Critical Agricultural Materials Act of 1984:							
Research and construction program.	\$4,770,460		\$3,557,960		-\$2,910,000	\$647,960	
Federal Admin. (3%)	147,540		110,040		-90,000	20,040	
Total	4,918,000		3,668,000		-3,000,000	668,000	
Rangeland Research Grants (Subtitle M):							
Research program ..	460,750		460,750		-460,750	- -	
Federal Admin. (3%)	14,250		14,250		-14,250	- -	
Total	475,000		475,000		-475,000	- -	
Aquaculture Centers, Section 1475:							
Research program ..	3,395,000		3,637,500		-3,637,500	- -	
Federal Admin. (3%)	105,000		112,500		-112,500	- -	
Total	3,500,000		3,750,000		-3,750,000	- -	
International Trade Centers, Sec. 1458A:							
Program	4,876,190		3,057,440		-3,057,440	- -	
Federal Admin. (3%)	150,810		94,560		-94,560	- -	
Total	5,027,000		3,152,000		-3,152,000	- -	
Other Agreements, Section 1472:							
Program	2,037,000		- -		- -	- -	
Federal Admin. (3%)	63,000		- -		- -	- -	
Total	2,100,000		- -		- -	- -	
Agric. Productivity, Subtitle C:							
Program	3,783,000		4,316,500		-4,316,500	- -	
Federal Admin. (3%)	117,000		133,500		-133,500	- -	
Total	3,900,000		4,450,000		-4,450,000	- -	
Supplemental and Alternative Crops, Sec. 1473D:							
Program	654,750		1,004,000		-1,004,000	- -	
Federal Admin. (3%)	20,250		21,000		-21,000	- -	
Total	675,000		1,025,000		-1,025,000	- -	
Groundwater Quality:							
Program	- -		2,910,000		-2,910,000	- -	
Federal Admin. (3%)	- -		90,000		-90,000	- -	
Total	- -		3,000,000		-3,000,000	- -	
5.Competitive Research	51,780,000	26	61,406,000	19	-45,615,000 (3)	15,791,000	19
Grants:							
Plant science	12,126,000		8,000,000		+4,126,000	12,126,000	
Soybean research ..	(493,000)		(493,000)		(-493,000)	(- -)	
Alcohol fuels	(514,000)		(514,000)		(-514,000)	(- -)	
Biotechnology	(5,000,000)		(- -)		(- -)	(- -)	
Plant Science Centers:	- -		- -		+3,400,000	3,400,000	
Human nutrition	2,377,000		1,000,000		+2,000,000	3,000,000	
Animal science.....	6,000,000		6,000,000		+8,000,000	14,000,000	
Brucellosis	(475,000)		(475,000)		(-475,000)	(- -)	
Reproductive efficiency	(2,377,000)		(- -)		(- -)	(- -)	
Pest science	2,853,000		2,000,000		- -	2,000,000	
Gypsy moths	(951,000)		(- -)		(- -)	(- -)	
Boll weevil/boll worm	(951,000)		(- -)		(- -)	(- -)	
Pine bark beetle ..	(951,000)		(- -)		(- -)	(- -)	
Biotechnology (animal & plant) ..	19,016,000		19,016,000		+2,600,000	21,616,000	
Stratospheric ozone.	- -		3,700,000		+3,700,000	7,400,000	
Federal Admin. (4%)	(1,694,880)		(1,588,640)		(+953,040)	(2,541,680)	
Total	42,372,000	41	39,716,000	39	+23,826,000 (4)	63,542,000	43

	1988 Actual		1989 Estimated			1990 Estimated	
Project	Amount	Staff: Years	Amount	Staff: Years	Increase or Decrease	Amount	Staff: Years
6. Animal Health and Disease Research, Section 1433:							
Research program ...	\$5,256,960		\$5,256,960		-\$5,256,960	- -	
Federal Admin. (4%)	219,040		219,040		-219,040	- -	
Total	5,476,000	2	5,476,000	2	-5,476,000 (5)	- -	- -
7. Federal Administration (Direct App.) a/							
Gulf Coast shrimp aquaculture	2,236,000		2,736,000		-2,736,000	- -	
Mississippi Valley State University ..	625,000		625,000		-625,000	- -	
Iowa State-Center for Food & Industrial							
Ag. Product Dev. ..	- -		950,000		-950,000	- -	
Iowa State-Center for Ag. & Rural Dev. ..	- -		750,000		-750,000	- -	
Ag in the Classroom ..	74,000		87,000		- -	\$87,000	
Peer Panels	- -		200,000		+100,000	300,000	
Office of Grants and Program Systems ...	659,000		529,000		+71,000	600,000	
Office of Agricultural Biotechnology	250,000		250,000		-25,000	225,000	
Pay Costs and Federal Employee Retirement System .	250,000		250,000		-250,000	- -	
1890 Capacity Building	- -		- -		+11,000,000	11,000,000	
Total	4,094,000	4	6,377,000	4	+5,835,000 (6)	12,212,000	4
8. Higher Education:							
Morrill-Nelson Funds (Permanent Appro.)	2,850,000		2,850,000		-2,850,000	- -	
Graduate Training Grants	2,852,000		2,852,000		+148,000	3,000,000	
Strengthening Grants 1890 Colleges	1,902,000		1,902,000		-1,902,000	- -	
Competitive Challenge Grants	- -		- -		+2,000,000	2,000,000	
Federal Admin. (3%)	(142,620)		(142,620)		(+7,380)	(150,000)	
Total	7,604,000	5	7,604,000	5	-2,604,000 (7)	5,000,000	5
9. Forestry Competitive Grants:							
Research program ..	2,880,000		- -		+4,800,000	4,800,000	
Federal Admin. (4%)	120,000		- -		+200,000	200,000	
Total	3,000,000	- -	- -	- -	+5,000,000 (8)	5,000,000	- -
10. Buildings and Facilities:							
Program	70,533,550		29,594,700		-29,594,700	- -	
Federal Admin. (3%)	1,921,450		1,175,300		-1,175,300	- -	
Total	72,455,000	- -	30,770,000	- -	-30,770,000 (9)	- -	
Total obligations	382,253,896	155	348,727,000	140	-53,329,000	295,398,000	150
Unobligated Balances:							
Lapsing	905,104	- -	- -	- -	- -	- -	- -
Available, start of year	-31,450,000	- -	-310,000	- -	+310,000	- -	- -
Transferred	- -	- -	-7,500,000	- -	+7,500,000	- -	- -
Available, end of year	310,000	- -	- -	- -	- -	- -	- -
Total available or estimate	352,019,000	155	340,917,000	140	-53,019,000	295,398,000	150
Transfer from Agricultural Research Service	-42,515,000	- -	-22,960,000	- -			
Transfer from Forest Service	-3,000,000	- -	- -	- -			
Total, appropriation ..	306,504,000	155	317,957,000	140			

a/ The amounts listed in this table do not include all the costs associated with the line items within the Direct Federal Administration activity. The amounts listed below are the additional costs that are funded for these purposes from the administrative set-aside of program funds.

Project	1988 Actual	1989 Estimated	1990 Estimated
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Gulf Coast shrimp aquaculture	- -	- -	- -
Mississippi Valley State University.	- -	- -	- -
Iowa State-Center for Food and			
Industrial Ag. Product Development	- -	- -	- -
Iowa State-Center for Agriculture			
and Rural Development	- -	- -	- -
Ag in the Classroom	\$94,542	\$63,000	\$63,000
Peer Panels	406,546	225,648	139,854
Office of Grants & Program Systems .	3,752,278	3,475,390	3,390,184
Office of Agricultural Biotechnology	48,239	95,000	120,000
Pay Costs and FERS	- -	- -	- -
1890 Capacity Building	- -	- -	- -
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Other, Federal Administration	4,301,605	3,859,038	3,713,038
	=====	=====	=====

EXPLANATION OF PROGRAM

Appropriations for the Cooperative State Research Service activities are authorized under the following Acts:

1. Payments to agricultural experiment stations under the Hatch Act
Agricultural Experiment Stations Act of August 11, 1955, Hatch Act of 1887 as amended - 7 U.S.C. 361a-361i, Public Law 92-318; Public Law 93-471; Public Law 95-113, as amended; Public Law 95-134; Public Law 96-205; Public Law 96-374; Public Law 96-597; Public Law 97-98; Public Law 98-213; Public Law 98-454; Public Law 99-198; Public Law 99-396.

Funds under the Hatch Act are allocated to the State Agricultural Experiment Stations of the 50 States, District of Columbia, Puerto Rico, Guam, the Virgin Islands, Micronesia, American Samoa, and Northern Mariana Islands for research to promote a sound and prosperous agriculture and rural life. The Hatch Act provides that the distribution of Federal payments to States for fiscal year 1955 shall become a fixed base and that any sums appropriated in excess of the 1955 level shall be distributed in the following manner:

- 20% shall be allotted equally to each State.
- not less than 52% shall be allotted to the States as follows:
 - one-half in an amount proportionate to the relative rural population of each State to the total rural population of all States, and
 - one-half in an amount proportionate to the relative farm population of each State to the total farm population of all States.
- not more than 25% shall be allotted to the States for cooperative research in which two or more State Agricultural Experiment Stations are cooperating to solve problems that concern the agriculture of more than one State.
- 3% shall be available to the Secretary of Agriculture for the administration of this Act.

The Act also provides that any amount in excess of \$90,000 available for allotment to any State, exclusive of the regional research fund, shall be matched by the State out of its own funds available for research, and for the establishment and maintenance of facilities necessary for the performance of such research. Also, in the case of Guam, the Virgin Islands, Micronesia, American Samoa, and Northern Mariana Islands, agencies are required by law to waive any requirement for local matching funds under \$200,000.

Three percent of funds appropriated under the Hatch Act is set-aside for Federal administration. Administration includes disbursement of funds and a continuous review and evaluation of the research programs of the State Agricultural Experiment Stations supported wholly or in part from Hatch funds. The Cooperative State Research Service encourages and assists in the establishment of cooperation within and between the States, and also actively participates in the planning and coordination of research programs between the States and the Department at the regional and national levels.

2. Cooperative Forestry Research - The Cooperative Forestry Research Act of October 10, 1962, 16 U.S.C. 582a-7; Public Law 96-374; Public Law 97-98; Public Law 99-198.

The Act authorizes funding of research in State institutions certified by a State representative designated by the governor of each State. The Act provides that appropriated funds be apportioned among States as determined by the Secretary after consultation with a national advisory council of not fewer than sixteen members representing Federal and State agencies concerned with developing and utilizing the Nation's forest resources, the forest industries, the forestry schools of the State-certified eligible institutions, State Agricultural Experiment Stations, and volunteer public

groups concerned with forests and related natural resources. Determination of apportionments follows consideration of pertinent factors including areas of non-Federal commercial forest land, volume of timber cut from growing stock, and the non-Federal dollars expended on forestry research in the State. The Act also provides that payments must be matched by funds made available and budgeted from non-Federal sources by the certified institutions for expenditure for forestry research. Three percent of funds appropriated under this Act is set-aside for Federal administration.

3. Payments to 1890 Colleges and Tuskegee University - The National, Agricultural Research, Extension, and Teaching Policy Act of 1977, Section 1445, Public Law 95-113; Public Law 95-547; Public Law 97-98; Public Law 99-198.

Public law 95-113, as amended provides for support of continuing agricultural research at colleges eligible to receive funds under the Act of August 30, 1890, including Tuskegee University. Beginning with fiscal year 1979, there shall be appropriated funds for each fiscal year, an amount not less than 15% of the total for such year under Section 3 of the Act of March 2, 1887. Distribution of payments made available under section 2 of the Act of August 4, 1965, for fiscal year 1978 are a fixed base and sums in excess of the 1978 level shall be distributed as follows:

- 3% shall be available to the Secretary of Agriculture.
- Payments to States in fiscal year 1978 is a fixed base. Of funds in excess of this amount:
 - 20% shall be allotted equally to each State.
 - 40% shall be allotted in an amount proportionate to the rural population of the State in which the eligible institution is located to the total rural population of all the States in which eligible institutions are located, and
 - 40% shall be allotted in an amount proportionate to the farm population of the State in which the eligible institution is located to the total farm population of all the States in which eligible institutions are located.

Allotments to Tuskegee University and Alabama A&M University shall be determined as if each institution were in a separate State. Three percent of the funds appropriated under this Act is set-aside for Federal administration. This includes disbursements of funds and review and evaluation of research projects.

4. Special Research Grants- Section 2(c), Act of August 4, 1965, 7 U.S.C. 450i as amended by Public Law 95-113; Public Law 97-98; Public Law 98-284; Public Law 99-198.

Section 2 of the Act of August 4, 1965, as amended, authorizes Special Research Grants for periods not to exceed five years to land-grant colleges and universities, research foundations established by land-grant colleges and universities, State Agricultural Experiment Stations, and to all colleges and universities having a demonstrable capacity in food and agriculture research, to carry out research to facilitate or expand promising breakthroughs in areas of the food and agricultural sciences of importance to the Nation; and to State Agricultural Experiment Stations, land-grant colleges and universities, research foundations established by land-grant colleges and universities, colleges and universities receiving funds under the Act of October 10, 1962, and accredited schools or colleges of veterinary medicine, to facilitate or expand ongoing State-Federal food and agricultural research. Special Research Grants are awarded on the discretionary basis as well as using a competitive peer panel process in the selection of proposals to be funded.

Research grants are also awarded under the Critical Agricultural Materials Act, Public Law 98-284, as amended. Rangeland Research Grants are awarded in accordance with Subtitle M of Public Law 97-98. Grants are awarded to aquaculture centers under section 1475(d) of Public Law 95-113, as amended. Other research grants are awarded under section 1472 of Public Law 95-113, as amended. Grants for international trade development centers are awarded under section 1458A of Public Law 95-113. Grants for supplemental and alternative crops are awarded under section 1473D of Public Law 95-113. Low-input agricultural productivity research grants are awarded under Subtitle C of Public Law 99-198. Grants are also awarded for groundwater quality research.

5. Competitive Research Grants - Section 2(b), Act of August 4, 1965, 7 U.S.C. 450i as amended by Public Law 95-113; Public Law 97-98, Public Law 99-198.

Section 2 of the Act of August 4, 1965, as amended authorizes Competitive Research Grants for periods not to exceed five years to State Agricultural Experiment stations, all colleges and universities, other research institutions and organizations, Federal agencies, private organizations or corporations, and individuals to further the programs of the Department of Agriculture. By obtaining the participation of outstanding researchers in the entire U.S. scientific community, emphasis will be placed on basic research critical to food production and human nutrition including biological stress of plants, genetic mechanisms of plants, plant nitrogen fixation, plant photosynthesis, plant science centers, human nutrient requirements, animal science, pest science, biotechnology, and stratospheric ozone.

6. Animal Health and Disease Research - The National Agricultural Research, Extension, and Teaching Policy Act of 1977, Section 1433, Public Law 95-113; Public Law 97-98; Public Law 99-198.

Section 1433 provides for support of livestock and poultry disease research in accredited schools or colleges of veterinary medicine or State Agricultural Experiment Stations that conduct animal health and disease research. These funds shall be distributed as follows:

- 4% shall be retained by the Department of Agriculture for administration, program assistance to the eligible institutions, and program coordination.
- 48% shall be distributed in an amount proportionate to the value of and income to producers from domestic livestock and poultry
 - in each State to the total value of and income to producers from domestic livestock and poultry in all the States.
- 48% shall be distributed in an amount proportionate to the animal health research capacity of the eligible institutions in each State to the total animal health research capacity in all the States.

Eligible institutions must provide non-Federal matching funds in States receiving annual amounts in excess of \$100,000 under this authorization.

7. Federal Administration (direct appropriation) - Authority for direct appropriations is provided in the annual Agriculture, Rural Development, and Related Agencies Appropriations Act. These funds are used to provide support services in connection with research planning and coordination of all programs administered by Cooperative State Research Service. Certain research and higher education program grants are also funded under this item.

8. Higher Education - The National Agricultural Research, Extension, and Teaching Policy Act of 1977, Section 1417, Public Law 95-113; Public Law 97-98; Public Law 99-198; Second Morrill Act of 1890; Public Law 100-339.

Higher Education-Strengthening Grants pursuant to Section 1417(a)(2)(A) support resident instruction programs at historically black land-grant institutions and Tuskegee University. Higher Education-Graduate Training Grants pursuant to Section 1417(a)(3)(B) are awarded on a competitive basis to colleges and universities to conduct graduate training programs to stimulate the development of food and agricultural scientific expertise in targeted national need areas. Higher education in the food and agricultural sciences at the land-grant institutions is also supported through a permanent appropriation in the Second Morrill Act of 1890, as amended.

9. Forestry Competitive Grants - Section 2(b), Act of August 4, 1965, 7 U.S.C. 450i as amended by Public Law 95-113; Public Law 97-98, Public Law 99-198.

Section 2 of the Act of August 4, 1965, as amended authorizes competitive research grants for periods not to exceed five years to State Agricultural Experiment stations, all colleges and universities, other research institutions and organizations, Federal agencies, private organizations or corporations, and individuals to further the programs of the Department of Agriculture. Emphasis is placed on research in the areas of harvesting, wood utilization, and forest biology.

10. Buildings and Facilities - In the Fiscal Year 1988 and Fiscal Year 1989 Appropriation Acts, funds were appropriated to the Agricultural Research Service for Buildings and Facilities. Some of these funds were earmarked for facilities at specific universities. The appropriation language allowed for transfer of these funds to other accounts as may be appropriate and \$42.5 million in 1988 and \$30.5 million in 1989 were transferred to CSRS. CSRS is awarding grants for these facilities to the universities.

In the Fiscal Year 1987 Supplemental Appropriation Act, \$30.2 was appropriated to CSRS for Building and Facilities at designated universities. These funds were available until expended and the grants were awarded in fiscal year 1988.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease of \$4,525,000 for payments to States under the formula provisions of the Cooperative Forestry Research program (\$17,500,000 available in 1989).

Need for Change. The Cooperative Forestry (McIntire-Stennis) Research program at land-grant and other State institutions is planned and directed to provide answers to questions that face forest and land owners and managers seeking to produce an adequate domestic timber supply with a diminishing land base while accommodating recreational, sport, esthetic, and environmental demands on the same land. State research institutions conduct forestry research under other authorizations which provide opportunity to respond to State, regional, and national priorities as appropriate. A portion of this program is proposed for elimination, however, the State Agricultural Experiment Stations and Forestry Schools have maximum flexibility under this program to tailor research according to specific needs and can continue to fund research in those areas that they identify as highest priority.

Nature of Change. Program objectives in the sixty-two participating institutions will be conducted at a reduced level. Ongoing Federal and State forestry research efforts will also continue under other authorizations. Forestry research will also be carried out under the Forestry Competitive Grants program in 1990.

- (2) An increase of \$1,000,000 for payments to the 1890 Land-Grant Colleges and Tuskegee University under the formula provisions of the Evans-Allen program (\$24,333,000 available in 1989).

Need for Change. As part of the Department's initiative for 1890 Land-grant institutions and Tuskegee University to develop their institutional capacity, research and technology development must increase to insure returns to society. Small-scale and alternative agriculture is essential for its contribution to the vitality and the quality of life in rural America, if not for its contribution to aggregate agricultural production. Statistics clearly indicate that the number of small-scale farmers are increasing rather than decreasing. It is estimated that by the year 2000, 80 percent of the American farming population will be considered small-scale producers. Furthermore, most of these farmers will operate on a part-time basis; nevertheless, it is these farmers who will contribute significantly to both the social and economic base for rural America. Many of the 1890 institutions have unique strengths in the area of small-scale agriculture. Following a five-year program of facility modernization, these institutions have the capacity to fulfill an expanded role in research and training.

Nature of Change. Increased funding will be used to provide greater emphasis to alternative cropping systems and management systems for animals such as goats (meat and milk types) and rabbits. These animals can be produced by small-scale agricultural operations with relatively small capital investment and financial risk. Experiments will be conducted on crops that are adapted to, but not normally grown in, some areas. While production systems are being evaluated, concurrent studies on marketing opportunities and strategies will be undertaken. Experiments will provide baseline data for commercializing these alternative crops. Studies in goat production will range from management and nutrition studies with forages and alternative foodstuffs, to the use of gene transfer to improve production and protection through genetics.

Increased emphasis on the identification of new employment opportunities will be explored with special emphasis on off-farm employment, home based businesses, expansion of the rural service

sector, and other economic diversity for family income stability and rural community growth. Resource management research will be undertaken to improve the family and community skills in managing money, time, and human and physical resources. Research is needed to develop alternative marketing systems and management strategies for small-scale agriculture and to determine the economic feasibility of nontraditional crops and animal enterprises.

- (3) A net decrease of \$45,615,000 for Special Research Grants, Critical Agricultural Materials Act, Rangeland Research Grants, Aquaculture Centers, International Trade Development Centers, Low-Input Agricultural Productivity Grants, Alternative and Supplemental Crops Grants, and Groundwater Quality Research (\$61,406,000 available in 1989) consisting of:

- (a) An increase of \$631,000 for Pesticide Clearance Special Research Grants (\$1,369,000 available in 1989).

Need for Change. New regulatory requirements of EPA for implementation of "Good Laboratory Practices" and recent amendments to the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) passed by the 100th Congress are two major areas that need immediate action under the Pesticide Clearance (IR-4) program. If American agriculture is to have available the legally registered materials necessary to provide for a wholesome and nutritious diet for the consuming public and to supply them with the ornamental plants to beautify their environment, it is essential to meet these regulatory demands. Good Laboratory Practices will increase the work load, conservatively estimated, by about 25 percent and is being required for both field and laboratory research.

Recent FIFRA amendments greatly accelerate the need for reregistration of many currently used pesticides. Reregistration of previously registered pesticides will require redoing much of the original research using current state of the art technology. The continued registration of all the fungicides and a number of herbicides is currently under review. There is no patent protection and very little economic incentive for commercial companies to reregister these older pesticides. In contrast, the economics to the user are excellent, and further, these older pesticides have been researched and incorporated into sound environmental management systems. Their loss would be a severe restriction to pest management programs.

Nature of Change. Funding will first be applied toward the increased effort needed for Good Laboratory Practices. Support is also required for the initiation of the reregistration process for minor use agricultural commodities and the initial registration of safer and more environmentally compatible pesticides. The project is inundated with requests for assistance in the registration of both chemicals and biologicals for both food and ornamental crops. For example IR-4 receives, in addition to the reregistration requests, about 375 valid requests from growers, extension personnel, research scientists and ranchers each year, yet funds allow only about 100 to be researched. The result is a large backlog of valid researchable requests currently numbering 1,150. The cost of completing an individual project tolerance ranges from \$15,000 to \$30,000 with an average cost of \$20,000. These increased funds will allow for the completion of approximately 14 additional tolerance projects for a total of about 114 per year. To meet these demands, the research activities of the IR-4 program will be expanded to

include additional field experiments and the resultant chemical analyses for residues. The final product of the increased support will be an increased number of chemical and biological products available for use on specialty crops.

- (b) An increase of \$250,000 for Pesticide Impact Assessment Special Research Grants (\$2,218,000 available in 1989).

Need for Change. Recent regulatory reforms resulting from concerns about the impact of pesticides on man and the environment have resulted in an EPA program to reregister all pesticides. This is a special review process in which information on materials requested under previous programs is examined to determine areas of missing or incomplete data. In order to make regulatory decisions, EPA requests these data from both the public and private sectors. The large number of chemicals on the market has necessitated an acceleration by EPA of the rate special reviews are initiated. Currently all fungicides are under review and there are indications that approximately thirty more pesticides will be under special review in 1989. The National Agricultural Pesticide Impact Assessment Program (NAPIAP) must be in a position to provide scientifically sound data on the impacts of these pesticides, not only as they relate to maintaining a strong agricultural economy but also human health and the environment.

Nature of Change. The increased funds will be used to support university scientists on additional assessment teams formed to meet the demands of these EPA special reviews. In addition these funds will be used to support research on innovative methods to assess pesticide impacts. Areas of emphasis would include computer models designed to examine the weight of various factors on profitability, calibration of modeling systems designed to predict movement of pesticides into groundwater, and use of electronic data systems to accelerate the data gathering process. The assessment team efforts and supporting research will place NAPIAP in a strong position to promote informed regulatory decisions on registered pesticides that significantly benefit U.S. agriculture without causing unreasonable adverse effects to humans or the environment.

- (c) An increase of \$6,700,000 for Water Quality Special Research Grants (No funding available in 1989).

Need for Change. Water is one of our nation's most abundant and valuable resources and is crucial to people, communities, agriculture, and industry. It is essential that the high quality of this vulnerable natural resource be protected, maintained, and improved if contaminated, to assure sufficiency and character of water for future generations.

The quality of both surface and groundwater is affected by the introduction of chemicals and sediments from urban, industrial, rural, and agricultural production sources. Groundwater analyses obtained by State and Federal sampling have detected trace levels of residual pesticides and variable concentrations of nitrate-nitrogen in certain public and private wells. The significance of these findings is difficult to assess and public concern has increased sharply because of possible health problems associated with certain chemical residues. New initiatives in research, therefore, are essential to understand the fate and transport of agricultural chemicals in soils and water and to develop profitable management systems to minimize chemical movement into water.

Nature of Change. A nationwide task force of Federal and State soil and water scientists and administrators has identified high priority research needs. A research plan for water quality was prepared by CSRS and ARS, with input from representatives of the

State Agricultural Experiment Stations. The two major thrusts proposed in this Plan that the CSRS budget request addresses are the Midwest Corn Belt Initiative and the Nationwide Water Quality Initiative.

The Midwest Corn Belt Initiative on groundwater quality will evaluate the impacts of complete agricultural production systems in the Corn Belt on water quality with special emphasis on groundwater. This research will integrate information on basic chemical and biological reaction processes, contaminant movement, farming practices, and ecosystem variables into systems for avoiding and managing water quality problems of the region. This increase will support scientists working at targeted sites in the Midwest, which may include selected satellite locations on continuous soil resource areas in contiguous States.

The Nationwide Water Quality Initiative will build on current programs and strengthen CSRS participation in prioritized research on water quality. Emphasis will be placed on a systems approach to addressing problems of potentially high risk in major agricultural production regions. Awards will be based on competitive proposals to determine: Reactions of potentially hazardous agricultural chemicals with soils and other chemicals; processes of retention, degradation, and movement through soils and substrata to groundwater; uptake by plants that could result in cycling into products potentially harmful to humans; and development of prevention and remedial technologies and systems of management that either reduce use or impacts of potentially hazardous chemicals, including field validation and evaluation of economic and sociological implications. The problems of sampling, analysis, interpretation, and application will be researched in as much detail and in enough soil, climatic, and crop management conditions to ensure confidence in resulting recommendations or protocols for management and regulatory purposes. These efforts are essential to the success of the USDA Water Quality Research Plan.

- (d) A decrease of \$34,344,000 for Special Research Grants, \$3,000,000 for Critical Agricultural Materials Act, \$475,000 for Rangeland Research Grants, \$3,750,000 for Aquaculture Centers, \$3,152,000 for International Trade Development Centers, \$4,450,000 for the Low-Input Agricultural Productivity Grants, \$1,025,000 for Supplemental and Alternative Crops, and \$3,000,000 for Groundwater Quality Research.

Need for Change. These grants programs have concentrated on problems of national and local interest beyond the normal emphasis in the formula programs. The Hatch Act formula and related base funded programs constitute the core of the State-Federal research partnership and, when put together with State funding, provide the basic laboratory facilities, scientists, graduate students, and support necessary for the long term stability of agricultural research. Thus, these base programs become the highest priority of the State-Federal research partnership. Selected high priority research grant programs on acid precipitation, integrated pest management, minor use animal drugs, National Biological Impact Assessment, and guayule will be continued at the 1989 appropriated level.

Nature of Change. This change will eliminate this specific funding support for selected grant programs. Due to the discretionary nature of the Hatch Act formula and related base funded programs, amounts allotted to State institutions permit

the institutions to fund research in those areas that they identify as high priority. This flexibility could provide for maintaining some of the programs if the State institutions wish to continue the research.

- (4) A net increase of \$23,826,000 for Competitive Research Grants (\$39,716,000 available in 1989) consisting of:

- (a) An increase of \$4,126,000 for Competitive Research Grants for plant science research (\$8,000,000 available in 1989).

Need for Change. This program supports fundamental research that will provide the necessary knowledge for solving problems of agricultural production facing this country in the present and in the future. The program currently funds research on genetic mechanisms for crop improvement, photosynthesis, biological nitrogen fixation and metabolism, and biological stress on plants including plant pathology, weed science, entomology and nematology. Information derived from these areas of research has contributed to the development of plant genetic engineering techniques, to our understanding of basic mechanisms of how plants trap energy from sunlight, to the elucidation of the genes involved in converting atmospheric nitrogen into organic nitrogen fertilizer, and to the development of rational, safe disease and pest management strategies. Nevertheless, it is becoming increasingly apparent that the lack of basic biological information is hampering full utilization of the economic potential of our agricultural, horticultural and forest crop plants. Also, realization of the full potential of new technologies such as biotechnologies in agriculture will only be achieved as our basic knowledge is fully developed.

Nature of Change. Effort to support the best research in basic plant science will continue. Support of investigator-initiated research projects will continue to be used as the funding mechanism since it ensures that agricultural research will keep pace with fast-moving scientific advances. Areas of research will be expanded to include the interaction between the rhizosphere and epiphytic organisms and their plant hosts, the elucidation of pathways for intermediary metabolism in plants, and the role of secondary metabolites in the plant responses to biological and environmental stresses. These additional areas will contribute significantly to providing much needed knowledge about higher plants. These kinds of information are essential if we are to minimize the use of chemicals in agricultural production because it would require solid understanding of the interactions between crop plants, soil and air-borne microorganisms, and agro-chemicals; develop new uses for abundant agricultural crops; and develop rational pest management strategies based on the plant's natural defense mechanisms against pests.

- (b) An increase of \$3,400,000 for Competitive Research Grants for Plant Science Centers (No earmarked funding available in 1989).

Need for Change. A program of Plant Science Centers grants in collaboration with the Department of Energy and the National Science Foundation was initiated in 1988 from existing funds. The goal of the Plant Science Centers Program is to encourage the best in basic research in plant sciences using the multidisciplinary and multi-institutional approach. Some critical problems in plant science are sufficiently complex that they require a group of scientists from different disciplines working together to solve them. This program is designed to foster the type of research that is not easily accomplished

under individual research programs. It should be emphasized that the Plant Science Center grants will be an effective means of supporting research only if they are awarded in addition to individual investigators' research grants. Scientific discoveries made by individual investigators are and will continue to be the core of advances in basic research for all fields of science and technology, including agriculture.

Nature of Change. Efforts initiated in 1988 to support the center-type research projects will be resumed. Support will be made available for the center program established in 1988 and proposals will be solicited to establish new center programs in 1990. The area of research will be defined broadly to allow maximum flexibility on the part of the scientific community in planning creative and innovative research projects. The applicants will be encouraged, when appropriate, to form working partnerships with industry, Federal laboratories, and state and local agencies. It is expected that many of the plant science center research projects will address the needs to improve the quality of food and fiber, to increase the efficiency of their production, to develop and use new products, and to sustain a renewable resource base.

- (c) An increase of \$2,000,000 for Competitive Research Grants for human nutrition research (\$1,000,000 available in 1989).

Need for Change. The program focuses on innovative approaches to research on nutritional requirements, the bioavailability of nutrients in food, interrelationships among nutrients, nutrient function, nutrient absorption and transport, and food processing that relates to nutritional needs among various segments of normal and healthy populations. Special emphasis is needed to expand the scope of the program. Advancements in the general biology of humans now makes it possible to ask fundamental questions such as why a certain nutrient is required and what its function is in the cell. Further, information regarding the impact of food constituents on health is urgently needed. This research is necessary to establish a strong scientific basis for recommendations on the optimal quality and quantity of nutrients required across the normal healthy population with the goal of enhanced health throughout life.

Nature of Change. The increment would be used to support innovative approaches to determine the molecular and cellular mechanisms underlying the important effects of macromolecular and trace elements of food on human health. This would include the study of vitamins as modulators of the immune system, the molecular and cellular mechanisms of mineral and trace elements, the biochemical and cellular consequences of dietary fats, and the effects of dietary constituents of gene expression during human growth and development.

- (d) An increase of \$8,000,000 for Competitive Research Grants for animal science research (\$6,000,000 available in 1989).

Need for Change. Suboptimal reproductive performance in domestic farm animals is associated with physiological problems related to puberty, ovulation, insemination, fertilization, prenatal death, poor survival of offspring, and disease problems causing local or systemic changes in the host due to invasive organisms. Information is essential regarding the reproductive physiology and endocrinology controlling or regulating these problems.

No funding is being proposed for the Animal Health and Disease, Section 1433 formula research program or the Animal Health Special Research Grants Program. Research formerly conducted under these programs will be continued under an expanded animal science Competitive Research Grants program. Intensified and expanded research is needed to find solutions to the most serious animal health problems that limit the efficient production of animal products. Recent technological advances in the biological and medical sciences that would be applied to veterinary medical problems under this program offer promise of major breakthroughs in the diagnosis, prevention and control of animal health problems.

Nature of Change. Emphasis will be placed on innovative basic research which will lead to the improvement of reproductive efficiencies and health of food and fiber animals. Areas of special interest include the initiation and synchronization of early embryo-maternal interactions, mechanisms underlying the impact of nutrition on reproduction, and the interrelationships between immunology and reproduction.

Research will be conducted on major causes of disease loss in livestock and poultry such as respiratory, enteric, and reproductive diseases; mastitis; parasites; other causes of animal health losses; and diseases which are transmittable to humans. The program will support basic research at the molecular and cellular level for investigating the mechanisms of cellular alterations which occur in both infectious and noninfectious diseases. It will also support basic research on the genetics of disease resistance in agriculturally important animals and methods to improve and enhance the immune status and reproductive physiology of these animal species. Solutions will be sought to the cause, diagnosis, prevention, control or eradication of these problems. These funds will permit the in-depth studies by some of the Nation's most highly trained, experienced, and productive scientists and will facilitate breakthroughs needed for solution of animal health problems.

- (e) An increase of \$2,600,000 for Competitive Research Grants for biotechnology research (\$19,016,000 available in 1989).

Need for Change. It is widely recognized that biotechnology holds enormous potential for increased competitiveness of the U.S. agriculture in the world market. Unlike many other technologies that require a long period of development, basic research goes hand in hand with the technology development in biotechnology. Often, a breakthrough in basic research is a breakthrough in biotechnology. The U.S. is a leading nation in biotechnology because of its long history of strong commitment for support of basic research. In order to maintain that leadership, it is absolutely imperative that we continue to support basic research in biotechnology.

Nature of Change. Proposals will be solicited to continue support of research that focuses on innovative approaches for further development of agricultural biotechnology. Areas of research to be included will be gene structure and function, cellular and molecular mechanisms of growth and development, and mechanisms underlying organisms' responses to biological and environmental stresses. Experimental systems will include all organisms of agricultural importance. The increased effort will lead to a better understanding of the molecular and cellular mechanisms of basic biological processes that are directly relevant to serious agricultural problems, including the loss of productivity due to diseases or adverse environmental factors, concerns over the use of agro-chemicals, the food quality, and the development of new uses for abundant agricultural products, and

the development of new agricultural products. In many instances, the basic information gained through this research will lead to the identification of specific targets for genetic engineering of agricultural organisms.

- (f) An increase of \$3,700,000 for Competitive Research Grants for stratospheric ozone research (\$3,700,000 available in 1989).

Need for Change. There is growing concern that the reduced levels of stratospheric ozone in recent years may indicate a long term trend. One consequence of lower ozone levels is an increase in ultraviolet light reaching the surface of earth. The U.S. is joining an international effort to reduce the stratospheric ozone depletion, and to study the changes in the ozone level and its effects on health and environment. Agriculture's part in this joint effort is to determine effects of these changes on crops and trees. Although much is known about the effect of UV radiation in animals, similar information on the effect of UV in plants is lacking. Information is needed to identify the biological parameters that can be used to assess the effects of increased UV radiation on food and fiber production.

Nature of Change. The research initiated in 1989 will continue, maintaining the same focus on the basic mechanisms of interactions at the cellular and molecular levels between UV radiation and higher plants. Specific areas of research will include UV effects on membrane structure and function, photosynthetic capacity, DNA repair mechanisms, plant metabolism, plant growth and development, and the interaction between plants and biological or environmental stress agents. Also emphasized will be research on the genetic and physiological basis for plant sensitivity or tolerance to UV radiation. These kinds of basic information will contribute to our ability to develop scientifically sound basis for assessing, predicting and managing potential damages of the stratospheric ozone depletion to crop production.

- (5) A decrease of \$5,476,000 for Animal Health and Disease Research, Section 1433, P.L. 95-113 (\$5,476,000 available in 1989).

Need for Change. The Animal Health and Disease Research program has provided funds on a formula basis for livestock and poultry disease research at accredited colleges of veterinary medicine and State Agricultural Experiment Stations. For the purpose intended, this is not the most desirable mechanism for program delivery and the types of research formerly conducted under this program will be continued under the expanded animal science Competitive Research Grants program. The competitive grants program will better target funds to projects of highest scientific merit and most closely tied to national priorities.

Nature of Change. This change will eliminate formula funding for this program. Animal health and disease research is being conducted in other ongoing Federal and State research programs. It is proposed that the CSRS animal health research previously conducted under this formula program, as well as under the Special Research Grants program, be moved to the Animal Science Competitive Research Grants program. A consolidated animal health program will provide a focus for innovative approaches to solving fundamental problems in animal health and disease in food and fiber animals. The Biotechnology Competitive Research Grants program also offers opportunities for supporting animal health research.

- (6) A net increase of \$5,835,000 for Federal Administration (direct appropriation) (\$6,377,000 available in 1989) consisting of:

- (a) A decrease of \$2,736,000 for the Gulf Coast shrimp aquaculture project. Prior funding has supported the initial development of this project. Emphasis is placed on high priority national interest programs in the 1990 CSRS budget.
- (b) A decrease of \$625,000 for curriculum development and strengthening at Mississippi Valley State University. Prior funding has supported the initial development of this project. Emphasis is placed on high priority national interest programs in the 1990 CSRS budget.
- (c) A decrease of \$950,000 for the Center for Food and Industrial Product Development in Iowa. Prior funding has supported the initial development of this project. Emphasis is placed on high priority national interest programs in the 1990 CSRS budget.
- (d) A decrease of \$750,000 for the Center for Agricultural and Rural Development in Iowa. Prior funding has supported the initial development of this project. Emphasis is placed on high priority national interest programs in the 1990 CSRS budget.
- (e) A decrease of \$25,000 for the Office of Agricultural Biotechnology. The requested funding level is consistent with related program funding requests.
- (f) A decrease of \$250,000 for pay costs and costs associated with the Federal Employee Retirement System. This request is consistent with related program funding requests.
- (g) An increase of \$71,000 for the Office of Grants and Program Systems (OGPS). OGPS administers programs of competitive grants for research in the food and agricultural sciences, programs in higher education and the Small Business Innovation Research Program. The Special Projects and Program Systems office has been established in OGPS to provide leadership in developing opportunities for farmers in areas of aquaculture, small-scale agriculture, industrial materials, and low-input agriculture. This agency also provides management support to the Joint Council, Users Advisory Board, and to other agencies for the administration of various agricultural research grants. The Department continues to expand its efforts in areas such as low-input and small-scale agriculture and OGPS has a leadership role in these areas. Additional funding is being requested to provide for the increased operating costs needed for OGPS to carry out these activities.
- (h) An increase of \$100,000 for peer panel costs. Cooperative State Research Service uses the peer panel review process to evaluate proposals submitted under the Special Research Grants program, the Competitive Research Grants Program, the Higher Education programs and the Small Business Innovation Research program. This request provides for the increased cost of travel and honorarium for the peer panel members.
- (i) An increase of \$11,000,000 for the 1890 Institutions Capacity Building Grants program (No funding available in 1989).

Need for Change: There is an urgent need to train more minority scientists and professionals to serve the Nation's food and agricultural systems. The 1890 land-grant institutions and Tuskegee University are major producers of this sorely needed human capital. A recently completed facilities improvement program has funded construction of modern research labs at the 1890 institutions and Tuskegee University. Yet, there remains a need to develop improved linkages with Federal agencies, other universities, and private organizations to strengthen research and

teaching programs in national priority issues. The proposed Federal initiative will serve the need to broaden collaboration between these key institutions and other universities in order to mainstream the development of minority expertise and utilize enhanced research capacity in the national interest.

Nature of Change. An exciting new 1890 Institutions Capacity Building Grants Program will serve as the crux of the Department's high priority initiative to advance the teaching and research capacity of the 1890 institutions and Tuskegee University. It will differ from the earlier 1890 Strengthening Grants Program in that it will be competitive and will require dollar for dollar matching funds from non-Federal sources. It also will require cooperation with one or more USDA agencies in developing a proposal and in implementing and carrying out the capacity building project. Funds will be targeted to initiatives which transcend the capability of a single institution to achieve. Examples of such initiatives include: Consortia involving 1890 and 1862 schools, USDA agencies, and industrial firms with a common interest in advancing the state of the art in a particular area of agricultural technology; Programs for developing minority agribusiness managers; National Research Apprenticeship Program; National Mentors Program for developing minority youth; and National Minority Student Internship Program.

- (7) A net decrease of \$2,604,000 for higher education (\$7,604,000 available in 1989) consisting of:

- (a) A decrease of \$1,902,000 for Higher Education - 1890 Strengthening Grants (\$1,902,000 available in 1989).

Need for Change. The need for qualified minority scientists and professionals to serve the Nation's food and agricultural system is so great that a new and more comprehensive program is proposed. The new 1890 Institutions Capacity Building Grants program will incorporate and expand on the opportunities previously available under the 1890 Strengthening Grants Program.

Nature of Change. In 1990 no funding is proposed for the 1890 Strengthening Grants Program. A new and exciting 1890 Institutions Capacity Building Grants Program will subsume and greatly broaden the impact of the original 1890 Strengthening Grants Program. The new program will be competitive, require non-Federal matching funds, and open up a broader arena of initiatives aimed at improving the quality of food and agricultural sciences teaching and research programs at the 1890 Colleges and Universities and Tuskegee University.

- (b) A decrease of \$2,850,000 for the Morrill Nelson program (\$2,850,000 available in 1989).

Need for Change. The Federal government has supported higher education in the food and agricultural sciences at land-grant institutions through a permanent appropriation in the Second Morrill Act of 1890. The funding level has remained at the \$50,000 level for each State and territory since 1912. The amount of funds per institution is so small by current day standards that the program has little impact on the quality of the higher education system.

Nature of Change. In 1990 no funding is proposed for the Morrill Nelson permanent appropriation. Rather, two new competitive higher education grants programs are proposed. Funding of \$2 million is proposed for a Challenge Grants Program to stimulate institutions to strengthen the quality of teaching programs in the food and agricultural sciences. A new Capacity Building Grants Program for the 1890 institutions is proposed at \$11

million to strengthen teaching and research programs at these universities. Both new programs will require non-Federal matching funds.

- (c) An increase of \$148,000 for Higher Education - Pre-doctoral Graduate Training Grants (\$2,852,000 available in 1989).

Need for Change. The training of food and agricultural scientists is being impeded by a variety of factors. Consequently, the U. S. is producing only 1,000 doctoral degrees annually in agriculture and natural resources and more than a third of these are earned by foreign students who return to their native country subsequent to graduation. Only about 14 U. S. citizen Ph.D's per state per year are being produced. The bottom line is that U. S. higher education programs in the food and agricultural sciences lack the opportunities and competitive posture available to other disciplines such as engineering, health sciences, and computer sciences for recruiting and training academically outstanding students.

The USDA National Needs Graduate Training Grants Program, initiated in 1984, has achieved a notable record and is proving to be an important part of the solution to the serious erosion of our food and agricultural scientific expertise. The 420 fellows supported by the program to date are characterized by superior intellectual and scholarly competence. The average Graduate Record Examination score for doctoral fellows is 1,300 and 1,050 for master's fellows. The topics chosen by fellows include studies in molecular biology, plant biotechnology, animal disease, water management, nutritional sciences, international marketing, and systems management. The quality of scientific expertise emanating from this program promises to be outstanding and strongly attests to the value of a cooperative partnership between the higher education systems, the USDA, and the Congress.

Nature of Change. Total funds requested will support the recruitment and three years of training for approximately 50 academically outstanding doctoral students (U. S. citizens) in targeted specializations characterized by shortages of expertise. About 25 master's fellows (also U. S. citizens) will be recruited and supported for two years of study, thereby enabling the 1890 institutions to compete for grants under the program. Program regulations will require that part of the fellowships be awarded to minority fellows. No other program specifically targets support for training minority master's and doctoral students in the food and agricultural sciences.

- (d) An increase of \$2,000,000 for Higher Education - Competitive Challenge Grants (No funding available in 1989).

Need for Change. The nation's colleges of agriculture and natural resources are the predominant producers of scientists, professionals, and managers with food and agricultural expertise. They offer the greatest potential for the future development of sophisticated agricultural mindpower. Yet, they are losing ground daily due to a multitude of problems. Efforts must be taken to revitalize these educational programs which are primarily responsible for the development of future generations of food and agricultural scientific and professional expertise. An expanded Federal initiative to strengthen these higher education programs, comparable to highly successful Federal initiatives on behalf of other science and engineering disciplines, is sorely needed.

Nature of Change. An increase of \$2 million is proposed for a new Competitive Challenge Grants Program which will also require non-Federal matching funds. The new program will be designed to

ameliorate targeted national problems, such as inadequate minority and female participation, which are enervating the U. S. food and agricultural sciences higher education system and which transcend the capacity of individual institutions to resolve. The program will be designed to foster partnership ventures that include:

- o Curricula revitalization -- biotechnology, agribusiness management, systems analysis and problem solving, ethics and public policy, communications, leadership development, etc.
- o Faculty development -- shared faculty appointments between institutions or the private sector, sabbaticals, etc.
- o Scientific instrumentation for teaching -- mobile laboratories with highly specialized equipment, satellite access to industry and government laboratories, etc.
- o Undergraduate research -- formally introduce undergraduate students to empirical research methodologies and require students to design and manage the scientific pursuit of basic and applied knowledge.
- o Student recruitment and retention -- multiuniversity and/or regional media campaigns, outreach programs with high school science classes, specialized workshops for recruitment personnel, and development of career information tailored for special populations such as Hispanics and blacks.

(8) An increase of \$5,000,000 for Forestry Competitive Grants (No funding available in 1989).

Need for Change. Funds for the Forestry Competitive Grants program had been appropriated to the Forest Service and transferred to Cooperative State Research Service in fiscal years 1985 through 1988. Grants have been awarded for basic research in the areas of wood utilization, processing, and harvesting as it relates to wood utilization and processing, as well as forest biology, including biotechnology. The appropriation of funds to CSRS for this research program in 1990 will consolidate funding and administrative roles within a single agency.

Nature of Change. Funding for this program will allow for support of research in forest biology. The aim of the program will be to examine fundamental aspects of plant physiology and biochemistry that are peculiar to trees. Because of the relatively slow growth of trees, research on mechanisms for reproduction and on genetics of tree species must be long-term commitments in a program designed to increase forest productivity. An important aim of this tree improvement program is the identification and utilization of genes that control mechanisms for resistance to pests and pathogens of our major tree species. In addition, the program will focus on ecological aspects of tree communities, particularly on the interactions of trees with herbaceous plants that are highly competitive and thus affect production and normal forest succession. This program will also support research on wood chemistry, the biochemistry of lignification and cellulosic materials, and the process of lignin degradation by wood-rotting organisms. An important understanding of these aspects of lignin chemistry may lead to important applications in biopulping and other industrial processes.

(9) A decrease of \$30,770,000 for Buildings and Facilities (\$30,770,000 available in 1989).

Need for Change. In the Fiscal Years 1988 and 1989 Appropriation Acts, funds were appropriated to the Agricultural Research Service for Buildings and Facilities. Funds earmarked for facilities at specific universities were transferred to CSRS in 1989 consistent with the appropriation language. An additional \$0.3 million has been carried forward from 1988. CSRS is awarding grants and cooperative agreements for these facilities to the universities.

Nature of Change. Additional funding for these or other university facilities is not proposed.

SMALL BUSINESS INNOVATION RESEARCH PROGRAM

The Small Business Innovation Development Act, Public Law 97-219, July 22, 1982, as amended by Public Law 99-443, October 6, 1986, was designed to strengthen the role of small, innovative firms in Federally funded research and development. It directs that small firms receive at least a fixed minimum percentage of research and development awards made by Federal agencies with sizable research and development budgets. Beginning in fiscal year 1986, and all subsequent fiscal years, 1.25 percent of an agency's extramural research budget is set aside for purposes of the SBIR Act.

<u>Agency</u>	<u>FY 1988 Actual</u>	<u>FY 1989 Estimate</u>	<u>FY 1990 Estimate</u>
Agricultural Cooperative Service	\$5,000	\$3,125	- -
Agricultural Research Service	156,250	175,000	\$175,000
Cooperative State Research Service	3,536,709	3,663,028	3,365,493
Economic Research Service	10,500	12,500	12,500
Forest Service	58,125	58,750	60,625
Human Nutrition Information Service	28,750	26,375	30,000
National Agricultural Statistics Service .	2,688	3,400	3,400
Total	3,798,022	3,942,178	3,647,018

The functions of the SBIR program, the solicitation, review and evaluation of proposals have been centralized in order to most effectively and efficiently serve the SBIR community. A committee composed of members of the contributing agencies established six research topic areas:

1. Forest and Related Resources. Proposals were solicited to develop environmentally sound techniques to increase productivity of forest land and to increase the utilization of materials and resources from forest lands.
2. Plant Production and Protection. Research proposals were solicited to find ways to examine means of increasing the efficiency of crop production by reducing the impact of destructive agents, enhancing the impact of new methods of plant manipulation, and developing effective crop systems that are economical and environmentally sound.
3. Animal Production and Protection. Research proposals were solicited to find ways to enable producers to increase production efficiency and to assure a reliable and safe supply of animal protein and other animal products while conserving resources and reducing production costs.
4. Air, Water and Soils. Research proposals were solicited to develop technologies for conserving soil, water and air resources while sustaining optimum agricultural productivity.
5. Food Science and Nutrition. Research proposals were solicited to develop new knowledge and a better understanding of the characteristics of foods and their nutritional impact; to apply new knowledge to improve our food and diets; and to apply new knowledge to the production of useful new food products, processes, materials, and systems.
6. Rural and Community Development. Research proposals were solicited to promote or foster development of income or employment opportunities or improvements in services to rural people and to develop technological or informational systems to assist local governments or public institutions in rural areas.

Current Activities. In response to the October 1, 1987, deadline announced in the Federal Register the Department of Agriculture received 252 proposals from

small businesses that had innovative approaches to solve problems in U.S. agriculture. The agency contributions were pooled and grants were made without regard to the funding source. The proposals were peer reviewed and many high quality applications were identified. With the funds available for the program 38 awards could be made. A summary of the fiscal year 1988 solicitation follows:

<u>Program Area</u>	<u>Number of Proposals Received</u>	<u>Amount Requested</u>	<u>Number of Grants Awarded</u>	<u>Amount of Awards</u>
Forest and Related Resources	42	\$2,479,169	5	\$336,115
Plant Production and Protection .	62	3,915,357	9	1,066,856
Animal Production and Protection.	55	3,442,717	8	761,830
Air, Water and Soils	22	1,828,404	4	509,780
Food Science and Nutrition	29	1,901,006	7	736,041
Rural and Community Development .	42	2,478,388	5	387,400
Total	252	16,045,041	38	3,798,022

Selected Examples of Recent Progress:

Forest and Related Resources. A Washington company is working to develop high quality adhesives for use in production of durable end-joints and laminated beams. These adhesives consist of 50 percent tannins from pine bark. Tannins are a renewable resource that will reduce dependency on petroleum and offer new ways to utilize our forest resources.

Plant Production and Protection. A business in North Dakota is testing the feasibility of using seed oil derivatives as adjuvants in pesticide sprays. These materials would substitute for the phytobland petroleum oil currently used as an adjuvant. Field tests will be used to determine the effectiveness of these seed oil-based adjuvants.

Animal Production and Protection. A firm in Iowa is developing an integrated financial/biologic database for swine production. This system will provide reliable information on animal and financial performance and lead to more profitable and efficient swine management.

Air, Water and Soils. A Nebraska business is working to design, construct, and develop fiberoptic probes for simultaneous measurement of soil temperature and soil-water content. Extensive field testing will be used to develop this probe and demonstrate its effectiveness in widely different soil types.

Food Science and Nutrition. A firm in Massachusetts has developed a ceramic membrane system for purification, concentration and fractionation applications in the food industry. These membranes are cheaper and more resistant to heat and harsh chemicals than polymeric membranes that presently dominate the food industry.

Rural and Community Development. A South Dakota business had designed a computerized informational system to enable county officials to better manage their rural road network. The system's adaptability to specific applications will be tested in five cooperating counties in South Dakota and adjoining states.

COOPERATIVE STATE RESEARCH SERVICE

Status of Construction Projects

BUILDINGS AND FACILITIES

In the Fiscal Year 1988 Appropriation Act, funds were appropriated under the Agricultural Research Service Buildings and Facilities account. The appropriation language allowed for transfer of these funds "to other accounts as may be appropriate to carry out these programs". Consequently, \$42.5 million was transferred to the Cooperative State Research Service in fiscal year 1988. The status of these research facilities is as follows:

<u>Facility</u>	<u>Amount</u>	<u>Description</u>
University of Arizona, Agricultural Biotechnology Center	\$4,575,000	CSRS awarded a grant to the University of Arizona for construction of an Agricultural Biotechnology Center.
University of Arkansas, Poultry Disease Research Center	375,000	CSRS awarded a grant to the University of Arkansas to upgrade the Poultry Disease Research Center.
University of Florida, Agricultural Biotechnology Institute	50,000	CSRS awarded a cooperative agreement to the University of Florida to conduct a feasibility study on constructing an Agricultural Biotechnology Institute. A copy of the feasibility study was sent to the Appropriations Committees on June 6, 1988.
University of Georgia, Biocontainment Center	50,000	CSRS awarded a cooperative agreement to the University of Georgia to conduct a feasibility study on constructing a Biocontainment Center. A copy of the feasibility study was sent to the Appropriations Committees on June 6, 1988.
University of Hawaii, Center for Applied Aquaculture	6,375,000	CSRS awarded a grant to the University of Hawaii for construction of the Center for Applied Aquaculture.
Iowa State University, National Center for Food and Industrial Agricultural Product Development	6,375,000	CSRS awarded a grant to Iowa State University to construct a National Center for Food and Industrial Agricultural Product Development.
University of Mississippi, National Center for Development of Natural Products	50,000	CSRS awarded a cooperative agreement to the University of Mississippi to conduct a feasibility study on constructing a National Center for Development of Natural Products. A copy of the feasibility study was sent to the Appropriations Committees on August 12, 1988.

Rutgers University, Plant Bioscience Facility	50,000	CSRS awarded a cooperative agreement to Rutgers University to conduct a feasibility study on constructing a Plant Bioscience Facility. A copy of the feasibility study was sent to the Appropriations Committees on June 6, 1988.
North Dakota State University, Research Facilities Consolidation	300,000	CSRS awarded a grant to North Dakota State University for consolidation of Research Facilities.
Oklahoma State University, National Veterinary Center for Equine and Bovine Biotechnology Research	50,000	CSRS awarded a cooperative agreement to Oklahoma State University to conduct a feasibility study on constructing a National Veterinary Center for Equine and Bovine Biotechnology.
Oregon State University, Agricultural Sciences II Building.	2,500,000	CSRS awarded a grant to Oregon State University for construction of an Agricultural Sciences II Building.
Oregon State University, Regional Marketing Center for Wheat and Related Agricultural Products	6,000,000	CSRS awarded a grant to Oregon State University for construction of the Regional Marketing Center for Wheat and Related Agricultural Products.
Texas A&M University, Houston, Agricultural Biotechnology Facility	50,000	CSRS awarded a cooperative agreement to Texas A&M University to conduct a feasibility study on constructing an Agricultural Biotechnology Facility. A copy of the feasibility study was sent to the Appropriations Committees on June 6, 1988.
University of Vermont, Stafford-Aiken Center for Microbiology and Agricultural Sciences	2,200,000	CSRS awarded a grant to the University of Vermont for a portion of the construction costs of the Stafford-Aiken Center for Microbiology and Agricultural Sciences.
Virginia Polytechnic Institute and State University, Equine Medical Center Isolation Unit at Leesburg, Virginia	50,000	CSRS awarded a cooperative agreement to Virginia Polytechnic Institute and State University to conduct a feasibility study on constructing an Equine Medical Center Isolation Unit at Leesburg, Virginia. A copy of the feasibility study was sent to the Appropriations Committees on June 6, 1988.

Virginia Polytechnic Institute and State University, Agricultural Biotechnology Center	50,000	CSRS awarded a cooperative agreement to Virginia Polytechnic Institute and State University to conduct a feasibility study on constructing an Agricultural Biotechnology Center. A copy of the feasibility study was sent to the Appropriations Committees on June 6, 1988.
Washington State University, Food-Human Nutrition Center	5,540,000	CSRS awarded a grant to Washington State University for construction of a Food-Human Nutrition Center.
Gonzaga University, Spokane, Washington, Regional Center for Information and Technology	7,500,000	CSRS awarded a grant to Gonzaga University for construction of a Regional Center for Information and Technology.
West Virginia University, Poultry Research Facility	375,000	CSRS awarded a grant to West Virginia University for construction of a Poultry Research Facility.

CSRS BUILDINGS AND FACILITIES

In the FY 1987 Supplemental Appropriation Act, \$30.2 million was appropriated in the CSRS Buildings and Facilities account for construction of facilities in North Dakota, Pennsylvania, and Vermont. These funds were available until fully expended and the grants were awarded in FY 1988.

<u>Facility</u>	<u>Amount</u>	<u>Description</u>
North Dakota State University, Crop and Weed Science Technology Center (Loftsgard Research Center)	\$8,000,000	CSRS awarded a grant to North Dakota State University for construction of a Crop and Weed Science Technology Center (Loftsgard Research Center).
Pennsylvania State University, Agricultural Science And Industry Facility	16,200,000	CSRS awarded a grant to Pennsylvania State University for construction of an Agricultural Science and Industry Facility.
University of Vermont, Stafford-Aiken Center for Microbiology and Agricultural Science	6,000,000	CSRS awarded a grant to the University of Vermont for a portion of the construction costs of the Stafford-Aiken Center for Microbiology and Agricultural Sciences.

TABLE 1
DISTRIBUTION OF FEDERAL PAYMENTS FOR RESEARCH AND EDUCATION AT STATE AGRICULTURAL
EXPERIMENT STATIONS AND OTHER STATE INSTITUTIONS - FISCAL YEAR 1988

STATE	REGULAR FORMULA	REGIONAL RESEARCH	TOTAL	HATCH ACT, AS AMENDED	COOP. FORESTRY RESEARCH (N-S)	1890 COLLEGES & TUSKEGEE UNIVERSITY	ANIMAL HEALTH & DISEASE RESEARCH	SPECIAL RESEARCH GRANTS	COMPETITIVE RESEARCH GRANTS	HIGHER EDUCATION GRANTS	FORESTRY RESEARCH GRANTS	FEDERAL ADMIN. (DIRECT APPROP.)	RESEARCH FACILITIES	TOTAL FEDERAL FUNDS
ALABAMA	2,640,008	726,006	3,366,014	569,928	2,644,194	117,187	101,381	183,000	254,994	0	0	0	0	7,236,598
ALASKA	712,245	123,805	836,050	319,117	0	9,993	5,000	0	50,000	0	0	0	0	1,220,160
AMERICAN SAMOA	365,000	0	365,000	0	0	0	0	0	50,000	0	0	0	0	415,000
ARIZONA	982,738	654,616	1,637,354	253,688	0	61,041	373,145	875,000	50,000	0	0	0	4,437,750	7,687,978
ARKANSAS	2,266,340	636,276	2,902,616	515,404	1,155,494	73,869	486,860	210,000	152,497	0	0	0	363,750	5,960,490
CALIFORNIA	2,943,142	1,351,616	4,294,758	548,118	0	414,749	2,716,305	5,898,385	338,000	502,942	0	0	0	14,713,257
COLORADO	1,326,056	993,349	2,259,405	308,212	0	236,815	243,611	605,000	145,000	0	0	0	0	3,799,043
CONNECTICUT	1,116,029	427,572	1,543,601	198,260	0	23,315	195,338	237,000	50,000	0	0	0	0	2,227,514
DELAWARE	770,043	319,842	1,089,885	101,021	456,618	17,144	0	0	152,496	0	0	0	0	1,817,164
DISTRICT OF COLUMBIA	384,624	92,340	476,964	0	0	0	0	110,709	152,497	0	0	0	0	740,170
FLORIDA	1,857,696	590,135	2,447,831	439,070	921,951	157,432	1,549,477	825,988	296,496	0	0	0	48,500	6,686,745
GEORGIA	2,996,531	1,017,919	3,954,450	590,832	1,450,805	146,326	1,453,202	1,655,775	200,497	0	0	0	48,500	9,490,387
HAWAII	614,366	106,008	720,374	0	0	0	160,300	0	50,000	0	0	0	0	930,674
IDAHO	767,054	331,951	1,099,005	133,735	0	7,102	2,559,929	30,000	50,000	0	0	1,529,808	6,183,750	11,593,329
ILLINOIS	1,242,525	527,611	1,770,136	395,451	0	66,384	435,927	191,800	50,000	0	0	0	0	2,909,698
INDIANA	3,713,518	870,733	4,584,251	242,784	0	163,337	2,749,860	2,009,207	290,000	0	0	0	0	10,039,439
IOWA	3,388,236	733,852	4,122,088	297,308	0	103,382	598,331	1,139,014	50,000	102,000	0	0	6,412,123	13,177,445
KANSAS	3,541,169	1,309,788	4,850,957	166,450	0	285,392	781,346	571,550	338,000	0	0	0	6,183,750	13,177,445
KENTUCKY	2,167,762	674,686	2,842,448	144,640	0	171,953	3,183,009	947,000	98,000	0	0	0	0	7,387,050
LOUISIANA	3,439,140	727,026	4,166,166	373,641	1,639,725	93,477	513,850	326,760	152,496	118,000	0	0	0	7,384,095
MAINE	2,095,614	600,588	2,696,202	493,594	1,057,611	90,512	645,357	120,000	152,497	185,000	0	0	0	5,440,773
MARYLAND	1,090,537	445,639	1,536,176	526,308	0	16,174	158,916	74,130	50,000	0	0	0	0	2,361,704
MASSACHUSETTS	1,508,294	560,728	2,069,022	210,069	772,332	46,496	288,108	1,311,222	200,496	0	0	0	0	4,997,745
MICHIGAN	1,318,901	547,346	1,866,247	220,974	0	41,580	934,133	1,745,368	50,000	115,000	0	0	0	4,974,302
MINNESOTA	3,419,929	772,711	4,192,640	504,498	0	96,417	2,440,946	2,241,946	290,000	250,000	0	0	0	10,016,447
MISSISSIPPI	330,000	0	330,000	0	0	0	0	0	50,000	0	0	0	0	380,000
MISSOURI	3,335,073	880,361	4,215,434	406,356	0	171,198	578,464	1,275,583	242,000	0	0	0	0	6,889,035
MONTANA	2,739,757	734,163	3,473,920	537,213	1,374,969	60,018	6,530,817	0	296,497	106,243	0	0	48,500	13,646,427
NEBRASKA	3,221,817	687,993	3,909,750	351,832	1,532,333	157,427	833,134	978,900	248,497	0	0	0	0	8,011,873
NEVADA	1,175,468	578,012	1,753,480	340,927	0	81,297	189,962	100,000	50,000	0	0	0	0	2,515,666
NEW HAMPSHIRE	2,003,094	780,658	2,783,752	122,831	0	178,693	1,519,989	294,300	50,000	0	0	0	0	4,949,565
NEW JERSEY	704,250	316,475	1,020,725	57,402	0	19,664	5,000	100,000	50,000	0	0	0	0	1,252,791
NEW MEXICO	879,926	320,513	1,200,439	264,593	0	10,279	23,210	120,000	50,000	0	0	0	0	1,668,521
NEW YORK	1,296,606	996,526	2,293,132	199,164	0	21,863	587,429	556,300	50,000	0	0	0	48,500	3,756,388
NORTH CAROLINA	1,014,624	348,202	1,362,826	231,879	0	41,400	455,589	200,000	50,000	0	0	0	0	2,341,694
NORTH DAKOTA	3,284,212	1,324,231	4,608,443	460,880	0	275,266	995,083	3,098,150	338,000	0	0	0	0	9,770,822
.....	4,464,299	1,041,087	5,505,386	559,023	2,095,887	110,548	423,597	1,560,042	278,937	303,694	0	0	0	10,887,114
.....	1,488,516	518,378	2,006,894	90,116	0	55,854	2,976,733	100,000	50,000	0	0	0	8,051,000	13,330,597

STATE	HATCH ACT, AS AMENDED										FEDERAL FUNDS		
	REGULAR FORMULA	REGIONAL RESEARCH	TOTAL	COOP. FORESTRY RESEARCH (M-S)	COLLEGES & TUSKEGEE UNIVERSITY	ANIMAL HEALTH & DISEASE RESEARCH	SPECIAL RESEARCH GRANTS	COMPETITIVE RESEARCH GRANTS	HIGHER EDUCATION GRANTS	FORESTRY RESEARCH GRANTS		FEDERAL ADMIN. (DIRECT APPROP.)	RESEARCH FACILITIES
NORTHERN													
MARIANAS	311,964		311,964	0		0		0		50,000		0	361,964
OHIO	4,052,849	834,525	4,887,374	330,022	0	113,361	832,344	594,200	98,000	0	0	0	6,855,301
OKLAHOMA	2,069,125	522,072	2,591,197	286,403	1,050,604	110,553	895,693	573,220	296,496	0	0	48,500	5,852,666
OREGON	1,551,330	818,658	2,369,988	602,642	0	95,387	1,681,830	869,525	50,000	104,000	0	8,245,000	14,018,372
PENNSYLVANIA	4,035,090	1,091,379	5,126,469	428,165	0	145,316	1,079,531	1,380,266	50,000	0	0	15,714,000	23,923,747
PUERTO RICO.....	2,962,515	646,472	3,608,987	0	0	12,508	403,643		50,000		0	0	4,075,138
RHODE ISLAND	708,662	331,887	1,040,549	79,211	0	9,640	15,000	262,450	50,000	0	0	0	1,456,850
SOUTH CAROLINA.....	2,293,928	599,569	2,893,497	449,975	1,153,532	21,305	577,153	108,602	152,496	0	0	0	5,356,560
SOUTH DAKOTA	1,528,071	522,794	2,050,865	111,926	0	90,515	50,811	97,700	50,000	0	0	0	2,451,817
TENNESSEE	3,307,440	743,342	4,050,782	384,546	1,591,003	63,812	236,940	857,000	248,497	160,000	0	0	7,592,580
TEXAS	4,265,871	1,057,402	5,323,273	471,784	2,042,415	355,803	1,143,633	1,721,000	296,497	0	0	48,500	11,402,905
UTAH	891,429	596,583	1,488,012	177,355	0	46,344	96,984	140,000	50,000	0	0	0	1,998,695
VERMONT	935,306	295,397	1,230,703	275,498	0	16,505	0	50,000	50,000	0	0	7,954,000	9,576,706
VIRGIN ISLANDS.....	600,656	104,007	704,663	0	0	0	201,449		50,000		0	0	956,112
VIRGINIA	2,823,248	708,120	3,531,368	482,689	1,374,524	93,564	1,302,872	790,300	200,497	278,201	0	97,000	8,151,015
WASHINGTON	1,769,448	1,213,923	2,983,371	591,737	0	141,202	2,515,298	685,000	50,000	385,263	0	12,648,800	20,000,671
WEST VIRGINIA	1,790,954	467,050	2,258,004	362,736	0	13,317	83,128	0	50,000	0	0	363,750	3,130,995
WISCONSIN	3,344,497	865,223	4,209,720	417,260	0	195,945	224,981	2,252,574	50,000	233,657	0	0	7,584,137
WYOMING	836,962	468,674	1,305,636	155,545	0	42,587	5,000	98,690	50,000	0	0	0	1,657,458
OTHER	0	224,400	224,400	0	36,100	0	375,000	0	0	0	0	0	635,500
SMALL BUSINESS													
SET-ASIDE	1,436,774	452,154	1,888,928	212,188	282,913	65,712	515,392	508,464	0	36,000	27,112	0	3,536,709
SUBTOTAL ..	114,061,258	36,172,313	150,233,571	16,975,000	22,633,010	5,256,960	49,920,000	40,677,120	7,461,380	2,880,000	2,775,170	70,533,550	369,345,761
UNOBLIGATED													
BALANCE	880,690	0	880,690	0	0	0	0	0	0	0	0	48,500	929,190
SUBTOTAL ...	114,941,948	36,172,313	151,114,261	16,975,000	22,633,010	5,256,960	49,920,000	40,677,120	7,461,380	2,880,000	2,775,170	70,582,050	370,274,951
FEDERAL ADMIN..	0	0	4,406,325	525,000	699,990	219,040	1,860,000	1,694,880	142,620	120,000	1,318,830	1,921,450	12,908,135
UNOBLIGATED													
BALANCE	0	0	24,414	0	0	0	0	0	0	0	0	261,500	285,914
SUBTOTAL ...	0	0	4,430,739	525,000	699,990	219,040	1,860,000	1,694,880	142,620	120,000	1,318,830	2,182,950	13,194,049
TOTAL	114,941,948	36,172,313	155,545,000	17,500,000	23,333,000	5,476,000	51,780,000	42,372,000	7,604,000	3,000,000	4,094,000	72,765,000	383,469,000

Table 2

Payments to State Agricultural Experiment Stations under the Hatch Act

	FY 1988 Actual				FY 1989 Estimate			FY 1990 Est.
State	Regular Formula	Regional Research	Total		Regular Formula	Regional Research	Total	Regular Formula
Alabama	2,640,008	726,006	3,366,014		2,640,008	725,011	3,365,019	2,640,008
Alaska.....	712,245	123,805	836,050		712,245	123,458	835,703	712,245
American Samoa:	365,000	0	365,000		593,663	0	593,663	593,663
Arizona	982,738	654,616	1,637,354		982,738	652,786	1,635,524	982,738
Arkansas	2,266,340	636,276	2,902,616		2,266,340	635,403	2,901,743	2,266,340
California ...	2,943,142	1,351,616	4,294,758		2,943,142	1,359,905	4,303,047	2,943,142
Colorado	1,326,056	933,349	2,259,405		1,326,056	936,140	2,262,196	1,326,056
Connecticut ..	1,116,029	427,572	1,543,601		1,116,029	426,034	1,542,063	1,116,029
Delaware	770,043	319,842	1,089,885		770,043	318,690	1,088,733	770,043
Dist. of Col. :	384,624	92,340	4,876,964		475,021	92,009	567,030	475,021
Florida	1,857,696	590,135	2,447,831		1,857,696	589,344	2,447,040	1,857,696
Georgia.....	2,936,531	1,017,919	3,954,450		2,936,531	1,028,061	3,964,592	2,936,531
Guam	614,366	106,008	720,374		614,366	105,712	720,078	614,366
Hawaii	767,054	331,951	1,099,005		767,054	331,022	1,098,076	767,054
Idaho	1,242,525	527,611	1,770,136		1,242,525	526,665	1,769,190	1,242,525
Illinois.....	3,713,518	870,733	4,584,251		3,713,518	868,361	4,581,879	3,713,518
Indiana	3,388,236	733,852	4,122,088		3,388,236	731,854	4,120,090	3,388,236
Iowa.....	3,541,169	1,309,788	4,850,957		3,541,169	1,331,208	4,872,377	3,541,169
Kansas	2,167,762	674,686	2,842,448		2,167,762	672,847	2,840,609	2,167,762
Kentucky	3,439,140	727,026	4,166,166		3,439,140	726,029	4,165,169	3,439,140
Louisiana	2,095,614	600,588	2,696,202		2,095,614	599,764	2,695,378	2,095,614
Maine	1,090,537	445,639	1,536,176		1,090,537	444,035	1,534,572	1,090,537
Maryland	1,508,294	560,728	2,069,022		1,508,294	558,708	2,067,002	1,508,294
Massachusetts :	1,318,901	547,346	1,866,247		1,318,901	545,374	1,864,275	1,318,901
Michigan	3,419,929	772,711	4,192,640		3,419,929	770,604	4,190,533	3,419,929
Micronesia ...	330,000	0	330,000		622,790	0	622,790	622,790
Minnesota	3,335,073	880,361	4,215,434		3,335,073	862,633	4,197,706	3,335,073
Mississippi ..	2,739,757	734,163	3,473,920		2,739,757	733,158	3,472,915	2,739,757
Missouri	3,221,817	687,933	3,909,750		3,221,817	686,058	3,907,875	3,221,817
Montana	1,175,468	578,012	1,753,480		1,175,468	576,397	1,751,865	1,175,468
Nebraska	2,003,094	780,658	2,783,752		2,003,094	778,529	2,781,623	2,003,094
Nevada	704,250	316,475	1,020,725		704,250	315,590	1,019,840	704,250
New Hampshire :	879,926	320,513	1,200,439		879,926	319,357	1,199,283	879,926
New Jersey....	1,296,606	996,526	2,293,132		1,296,606	1,009,383	2,305,989	1,296,606
New Mexico ...	1,014,624	348,202	1,362,826		1,014,624	347,227	1,361,851	1,014,624
New York	3,284,212	1,324,231	4,608,443		3,284,212	1,334,924	4,619,136	3,284,212
North Carolina :	4,464,299	1,041,087	5,505,386		4,464,299	1,039,660	5,503,959	4,464,299
North Dakota ..	1,488,516	518,378	2,006,894		1,488,516	516,964	2,005,480	1,488,516
N. Marianas ...	311,964	0	311,964		580,804	0	580,804	580,804
Ohio	4,052,849	834,525	4,887,374		4,052,849	832,253	4,885,102	4,052,849
Oklahoma	2,069,125	522,072	2,591,197		2,069,125	521,358	2,590,483	2,069,125
Oregon	1,551,330	818,658	2,369,988		1,551,330	816,367	2,367,697	1,551,330
Pennsylvania ..	4,035,090	1,091,379	5,126,469		4,035,090	1,097,074	5,132,164	4,035,090
Puerto Rico ..	2,962,515	646,472	3,608,987		2,962,515	645,587	3,608,102	2,962,515
Rhode Island ..	708,662	331,887	1,040,549		708,662	330,693	1,039,355	708,662
South Carolina :	2,293,928	599,569	2,893,497		2,293,928	598,747	2,892,675	2,293,928
South Dakota ..	1,528,071	522,794	2,050,865		1,528,071	521,371	2,049,442	1,528,071
Tennessee	3,307,440	743,342	4,050,782		3,307,440	742,323	4,049,763	3,307,440
Texas	4,265,871	1,057,402	5,323,273		4,265,871	1,055,953	5,321,824	4,265,871
Utah	891,429	596,583	1,488,012		891,429	594,914	1,486,343	891,429
Vermont	935,306	295,397	1,230,703		935,306	291,622	1,226,928	935,306
Virgin Islands:	600,656	104,007	704,663		600,656	103,865	704,521	600,656
Virginia	2,823,248	708,120	3,531,368		2,823,248	707,188	3,530,436	2,823,248
Washington ...	1,769,448	1,213,923	2,983,371		1,769,448	1,235,614	3,005,062	1,769,448
West Virginia :	1,790,954	467,050	2,258,004		1,790,954	465,370	2,256,324	1,790,954
Wisconsin	3,344,497	865,223	4,209,720		3,344,497	869,174	4,213,671	3,344,497
Wyoming	836,962	468,674	1,305,636		836,962	467,382	1,304,344	836,962
Other	0	224,400	224,400		0	204,400	204,400	0
SUBTOTAL	112,624,484	35,720,159	148,344,643		113,505,174	35,720,159	149,225,333	113,505,174
Regional Res. :								
Undistributed:	0	0	0		0	0	0	35,720,159
Federal Admin.:	0	0	4,430,739			0	4,430,739	4,430,739
Unoblig. Bal :	880,690	0	880,690		0	0	0	0
Small Bus. Act:	1,436,774	452,154	1,888,928		1,436,774	452,154	1,888,928	1,888,928
TOTAL	114,941,948	36,172,313	155,545,000		114,941,948	36,172,313	155,545,000	155,545,000

Table 3
Distribution of Funds under the McIntire-Stennis Cooperative
Forestry Research Act
(In Dollars)

State/Recipient -----	Fiscal Year 1988 Actual -----	Fiscal Year 1989 Estimate -----	Fiscal Year 1990 Estimate -----
ALABAMA			
Agricultural Experiment Station, Auburn University	569,928	569,443	417,146
ALASKA			
Agricultural Experiment Station, University of Alaska	319,117	351,541	260,163
AMERICAN SAMOA			
American Samoa Community College	0	0	0
ARIZONA			
Agricultural Experiment Station, University of Arizona	126,844	121,295	90,835
School of Forestry, Northern Arizona University	126,844	121,295	90,835
ARKANSAS			
Agricultural Experiment Station, Univ. of Arkansas	515,404	482,282	354,353
CALIFORNIA			
Agricultural Experiment Station, Univ. of California	438,494	420,690	308,599
Department of Forestry, California State Univ., Humboldt	82,218	78,879	57,862
California Polytechnic State University	27,406	26,293	19,287
COLORADO			
College of Forestry and Natural Resources, Colorado State Univ.	308,212	286,170	213,068
CONNECTICUT			
Agricultural Experiment Station, New Haven	141,195	141,086	106,819
Agricultural Experiment Station, Univ. of Connecticut, Storrs .	47,065	47,029	35,606
DELAWARE			
Agricultural Experiment Station, University of Delaware	101,021	100,953	79,632
FLORIDA			
Agricultural Experiment Station, University of Florida	439,070	471,387	346,503
GEORGIA			
School of Forest Resources, University of Georgia	580,832	580,338	424,995
GUAM			
Agricultural Experiment Station, University of Guam	0	0	0
HAWAII			
Agricultural Experiment Station, University of Hawaii	133,735	122,744	95,330
IDAHO			
College of Forestry, University of Idaho	395,451	384,226	283,710
ILLINOIS			
Agricultural Experiment Station, University of Illinois	121,392	126,742	94,760
Department of Forestry, Southern Illinois University	121,392	126,742	94,760
INDIANA			
Agricultural Experiment Station, Purdue University	297,308	307,961	228,766
IOWA			
Agriculture & Home Economics Experiment Sta., Iowa State Univ.	166,450	155,429	118,878
KANSAS			
Agricultural Experiment Station, Kansas State University	144,640	166,324	126,727
KENTUCKY			
Agricultural Experiment Station, University of Kentucky	373,641	362,436	268,012
LOUISIANA			
Agricultural Experiment Station, Louisiana State University ...	345,516	352,851	259,036
School of Forestry, Louisiana Tech University	148,078	151,222	111,015
MAINE			
Agricultural Experiment Station, University of Maine	526,308	493,178	362,202
MARYLAND			
Agricultural Experiment Station, University of Maryland	210,069	209,905	158,123
MASSACHUSETTS			
Agricultural Experiment Station, University of Massachusetts ..	220,974	231,695	173,822
MICHIGAN			
Agricultural Experiment Station, Michigan State University	168,166	171,656	125,967
School of Natural Resources, University of Michigan	168,166	171,656	125,967
Department of Forestry, Michigan Technological University	168,166	171,656	125,966
MICRONESIA			
College of Micronesia	0	0	0

State/Recipient -----	1988 Actual -----	1989 Estimate -----	1990 Estimate -----
MINNESOTA			
Agricultural Experiment Station, University of Minnesota	406,356	416,912	307,258
MISSISSIPPI			
School of Forest Resources, Mississippi State University	537,213	558,548	409,297
MISSOURI			
Agricultural Experiment Station, University of Missouri	351,832	340,646	252,313
MONTANA			
School of Forestry, University of Montana	340,927	373,331	275,861
NEBRASKA			
Agricultural Experiment Station, University of Nebraska	122,831	133,639	103,179
NEVADA			
Agricultural Experiment Station, University of Nevada	57,402	57,373	48,235
NEW HAMPSHIRE			
Agricultural Experiment Station, University of New Hampshire ..	264,593	275,275	205,218
NEW JERSEY			
Agricultural Experiment Station, Rutgers University	199,164	177,219	134,576
NEW MEXICO			
Agricultural Experiment Station, New Mexico State University ..	231,879	220,800	165,973
NEW YORK			
Agricultural Experiment Station, Cornell University	115,220	123,294	90,550
College of Environmental Science and Forestry, State University of New York	345,660	369,883	271,651
NORTH CAROLINA			
School of Forest Resources, North Carolina State University ...	559,023	547,653	401,448
NORTH DAKOTA			
Agricultural Experiment Station, North Dakota State University	90,116	68,268	56,084
OHIO			
Agricultural Experiment Station, Ohio State University	330,022	318,856	236,615
OKLAHOMA			
Agricultural Experiment Station, Oklahoma State University ...	286,403	297,065	220,917
OREGON			
School of Forestry, Oregon State University	602,642	602,129	440,693
PENNSYLVANIA			
Agricultural Experiment Station, Pennsylvania State University	428,165	406,017	299,408
PUERTO RICO			
Agricultural Experiment Station, University of Puerto Rico	0	79,163	63,933
RHODE ISLAND			
Agricultural Experiment Station, University of Rhode Island ...	79,211	90,058	71,783
SOUTH CAROLINA			
College of Forest and Recreation Resources, Clemson University	449,975	449,597	330,805
SOUTH DAKOTA			
Agricultural Experiment Station, South Dakota State University	111,926	111,848	87,481
TENNESSEE			
Agricultural Experiment Station, University of Tennessee	384,546	395,121	291,559
TEXAS			
Agricultural Experiment Station, Texas A&M University	235,892	219,351	161,478
School of Forestry, Stephen F. Austin State University	235,892	219,351	161,478
UTAH			
College of Natural Resources, Utah State University	177,355	144,534	111,028
VERMONT			
School of Natural Resources, University of Vermont	275,498	264,380	197,369
VIRGIN ISLANDS			
Agricultural Experiment Station, Univ. of the Virgin Islands ..	0	0	0
VIRGINIA			
School of Forestry and Wildlife Resources, Virginia Polytechnic Institute and State University	482,689	460,492	338,654
WASHINGTON			
Agricultural Experiment Station, Washington State University ..	266,282	266,055	194,780
College of Forest Resources, University of Washington	325,455	325,178	238,064
WEST VIRGINIA			
Agricultural Experiment Station, West Virginia University	362,736	329,751	244,464
WISCONSIN			
Agricultural Experiment Station, University of Wisconsin	417,260	427,807	315,107
WYOMING			
Agricultural Experiment Station, University of Wyoming	155,545	188,114	142,425
Subtotal	16,762,812	16,762,812	12,428,428
Federal administration (3%)	525,000	525,000	389,250
Small Business Act	212,188	212,188	157,322
Total	17,500,000	17,500,000	12,975,000

Table 4

Evans-Allen Payments to 1890 Colleges and Tuskegee University
Under Section 1445, Public Law 95-113, As Amended
(In Dollars)

	Fiscal Year 1988 Actual	Fiscal Year 1989 Estimate	Fiscal Year 1990 Estimate
ALABAMA			
Alabama A&M University	\$1,331,812	\$1,381,173	1,430,534
Tuskegee University	1,312,382	1,361,743	1,411,104
ARKANSAS			
University of Arkansas--Pine Bluff..	1,155,494	1,202,039	1,248,584
DELAWARE			
Delaware State College	456,618	472,233	487,847
FLORIDA			
Florida A&M University	921,951	965,735	1,009,518
GEORGIA			
Fort Valley State College	1,450,805	1,513,303	1,575,802
KENTUCKY			
Kentucky State University	1,639,725	1,720,917	1,802,110
LOUISIANA			
Southern University	1,057,611	1,098,367	1,139,124
MARYLAND			
University of Maryland-Eastern Shore	772,332	803,585	834,839
MISSISSIPPI			
Alcorn State University	1,374,969	1,420,528	1,466,087
MISSOURI			
Lincoln University	1,532,333	1,617,000	1,701,668
NORTH CAROLINA			
North Carolina A&T State University.	2,095,887	2,184,915	2,273,944
OKLAHOMA			
Langston University	1,050,604	1,099,504	1,148,404
SOUTH CAROLINA			
South Carolina State College.....	1,153,532	1,194,949	1,236,366
TENNESSEE			
Tennessee State University	1,591,003	1,659,999	1,728,996
TEXAS			
Prairie View A&M College	2,042,415	2,143,675	2,244,935
VIRGINIA			
Virginia State College	1,374,524	1,432,207	1,489,885
CRIS	36,100	36,100	36,100
Subtotal	22,350,097	23,307,972	24,265,847
Federal Administration (3%)	699,990	729,990	759,990
Small Business Act	282,913	295,038	307,163
TOTAL	23,333,000	24,333,000	25,333,000

Table 5
Distribution of Funds for Animal Health and Disease Research
Section 1433, P.L. 95-113
(In Dollars)

State/Recipient -----	Fiscal Year 1988 Actual -----	Fiscal Year 1989 Est. -----
ALABAMA		
Agricultural Experiment Station, Auburn University	70,585	59,229
School of Veterinary Medicine, Auburn University	42,899	46,277
School of Veterinary Medicine, Tuskegee University	3,703	5,220
ALASKA		
Agricultural Experiment Station, University of Alaska	9,993	11,937
ARIZONA		
Agricultural Experiment Station, University of Arizona	61,041	59,201
ARKANSAS		
Agricultural Experiment Station, University of Arkansas	73,869	73,641
CALIFORNIA		
Agricultural Experiment Station, Univ. of California, Berkeley.	236,012	226,815
School of Veterinary Medicine, University of California, Davis.	178,737	158,598
COLORADO		
Agricultural Experiment Station and College of Veterinary Medicine, Colorado State University	236,815	241,605
CONNECTICUT		
Agricultural Experiment Station, Univ. of Connecticut, Storrs .	23,315	22,604
DELAWARE		
Agricultural Experiment Station, University of Delaware	17,144	18,703
FLORIDA		
Agricultural Experiment Station, University of Florida	82,091	82,451
College of Veterinary Medicine, University of Florida	75,341	84,503
GEORGIA		
Agricultural Experiment Station, University of Georgia	20,374	21,133
College of Veterinary Medicine, University of Georgia	125,952	118,666
HAWAII		
Agricultural Experiment Station, University of Hawaii	7,102	7,992
IDAHO		
Agricultural Experiment Station, University of Idaho	45,306	44,042
College of Veterinary Medicine, University of Idaho	21,078	23,398
ILLINOIS		
Agricultural Experiment Station and College of Veterinary Medicine, University of Illinois	163,337	163,163
INDIANA		
Agricultural Experiment Station and School of Veterinary Medicine, Purdue University	103,382	100,047
IOWA		
Agriculture & Home Economics Experiment Sta., Iowa State Univ.	51,920	48,065
College of Veterinary Medicine, Iowa State University	233,472	227,293
KANSAS		
Agricultural Experiment Station and College of Veterinary Medicine, Kansas State University	171,953	169,149
KENTUCKY		
Agricultural Experiment Station, University of Kentucky	93,477	90,699
LOUISIANA		
Agricultural Experiment Station, Louisiana State University ...	69,563	62,751
School of Veterinary Medicine, Louisiana State University	20,949	27,177
MAINE		
Agricultural Experiment Station, University of Maine	16,174	16,254
MARYLAND		
Agricultural Experiment Station, University of Maryland	46,496	45,714
MASSACHUSETTS		
Agricultural Experiment Station, University of Massachusetts ..	12,501	13,792
School of Veterinary Medicine, Tufts University	29,079	28,419
MICHIGAN		
Agricultural Experiment Station and College of Veterinary Medicine, Michigan State University	96,417	97,935
MINNESOTA		
Agricultural Experiment Station, University of Minnesota	89,310	87,540
College of Veterinary Medicine, University of Minnesota	81,888	83,945
MISSISSIPPI		
Agricultural and Forestry Experiment Station and College of Veterinary Medicine, Mississippi State University	60,018	69,522

State/Recipient	1988 Actual	1989 Est.
MISSOURI		
Agricultural Experiment Station, University of Missouri	37,493	44,426
College of Veterinary Medicine, University of Missouri	119,934	126,797
MONTANA		
Agricultural Experiment Station, Montana State University	81,297	79,449
NEBRASKA		
Agricultural Experiment Station, University of Nebraska	178,693	177,438
NEVADA		
Agricultural Experiment Station, University of Nevada	19,664	23,276
NEW HAMPSHIRE		
Agricultural Experiment Station, University of New Hampshire ..	10,279	9,698
NEW JERSEY		
Agricultural Experiment Station, Rutgers University	21,863	21,747
NEW MEXICO		
Agricultural Experiment Station, New Mexico State University ..	41,400	38,618
NEW YORK		
Agricultural Experiment Station, Cornell University	58,868	70,579
College of Veterinary Medicine, Cornell University	216,398	226,462
NORTH CAROLINA		
Agricultural Experiment Station and School of Veterinary		
Medicine, North Carolina State University	110,548	111,112
NORTH DAKOTA		
Agricultural Experiment Station, North Dakota State University	55,854	55,690
OHIO		
Ohio Agricultural Research and Dev. Center, Ohio State Univ. ..	78,069	82,326
College of Veterinary Medicine, Ohio State University	35,292	29,447
OKLAHOMA		
Agricultural Experiment Station and College of Veterinary		
Medicine, Oklahoma State University	110,553	109,810
OREGON		
Agricultural Experiment Station, Oregon State University	54,274	55,257
School of Veterinary Medicine, Oregon State University	41,113	36,832
PENNSYLVANIA		
Agricultural Experiment Station, Pennsylvania State Univ.	58,668	68,435
School of Veterinary Medicine, University of Pennsylvania	86,648	79,150
PUERTO RICO		
Agricultural Experiment Station, University of Puerto Rico	12,508	12,385
RHODE ISLAND		
Agricultural Experiment Station, University of Rhode Island ...	9,640	6,599
SOUTH CAROLINA		
Agricultural Experiment Station, Clemson University	21,305	21,600
SOUTH DAKOTA		
Agricultural Experiment Station, South Dakota State University	90,515	89,816
TENNESSEE		
Agricultural Experiment Station and College of Veterinary		
Medicine, University of Tennessee	63,812	66,245
TEXAS		
Agricultural Experiment Station and College of Veterinary		
Medicine, Texas A&M University	355,803	367,752
UTAH		
Agricultural Experiment Station, Utah State University	46,344	45,277
VERMONT		
Agricultural Experiment Station, University of Vermont	16,505	17,627
VIRGINIA		
Agricultural Experiment Station and College of Veterinary		
Medicine, Virginia Polytechnic Institute and State Univ.	93,564	98,668
WASHINGTON		
Agricultural Experiment Station, Washington State Univ.	39,857	41,618
College of Veterinary Medicine, Washington State Univ.	101,345	91,277
WEST VIRGINIA		
Agricultural & Forestry Experiment Station, West Virginia Univ.	13,317	12,579
WISCONSIN		
Agricultural Experiment Station and College of Veterinary		
Medicine, University of Wisconsin	195,945	192,830
WYOMING		
Agricultural Experiment Station, University of Wyoming	42,587	42,946
Subtotal	5,191,248	5,191,248
Federal administration	219,040	219,040
Small Business Act	65,712	65,712
Total	5,476,000	5,476,000

Table 6
Competitive Research Grants
Proposals Submitted and Grants Awarded in Fiscal Year 1988

	Proposals Received	Dollars Requested	Grants Awarded	Dollars Awarded
Plant Science				
Biological Stress	177	\$35,881,000	39	\$3,190,000
Genetic Mechanisms	37	9,312,000	1	169,000
Nitrogen Fixation	51	10,319,000	15	1,280,832
Photosynthesis	54	11,657,000	14	1,160,980
Biotechnology	144	29,524,000	55	4,740,000
Soybeans	50	10,528,000	5	467,364
Alcohol Fuels	24	4,522,045	4	487,272
Subtotal	537	111,743,045	133	11,495,448
Human Nutrition				
Nutrient Requirements	89	18,789,271	20	2,253,396
Animal Science				
Brucellosis	6	1,072,358	3	450,300
Reproductive Physiology	61	14,474,000	19	2,984,304
Reproductive Efficiency	59	13,877,000	15	2,253,396
Subtotal	126	29,423,358	37	5,688,000
Biotechnology				
Plant Growth and Development	114	25,863,000	31	3,375,000
Plant Molecular Biology	92	23,198,230	39	3,942,168
Plant Science General	56	292,988,362	1	600,000
Responses to Biological Stress	86	17,434,000	30	2,560,000
Responses to Physical Stress (plants)	98	20,657,000	22	2,090,000
Animal Growth and Development	103	28,451,915	15	2,230,000
Animal Molecular Biology	172	50,410,000	18	3,230,000
Subtotal	721	459,002,507	156	18,027,168
Pest Science				
Gypsy Moth	29	5,286,895	9	901,548
Boll Weevil/Bollworm	29	6,250,680	9	901,548
Pine Bark Beetle	23	3,891,098	8	901,548
Subtotal	81	15,428,673	26	2,704,644
TOTAL	1,554	634,386,854	372	40,168,656
	=====	=====	=====	=====
	Proposals Received	Dollars Requested	Grants Awarded	Dollars Awarded
1862 Land-Grant Universities	1,019	\$435,920,752	268	\$29,621,523
1890 Land-Grant Universities	8	8,251,907	-	-
Private Universities	97	61,966,150	28	3,487,287
Other Public Universities	177	64,836,130	30	2,988,200
Federal Laboratories	12	8,045,568	2	210,000
USDA/ARS	109	17,015,432	18	1,831,000
Private Non-Profit	38	9,163,357	18	1,138,838
Private Profit	6	1,606,881	2	149,587
State and Local Agencies	2	615,379	1	140,471
Veterinary Schools & Colleges	82	26,312,411	4	551,000
Other	4	652,887	1	50,750
TOTAL	1,554	634,386,854	372	40,168,656
	=====	=====	=====	=====

Table 7
Competitive Research Grants
Fiscal Year 1988 Recipients
(In Dollars)

State/Recipient -----	Fiscal Year 1988 Actual -----
ALABAMA	
Agricultural Experiment Station, Auburn University	183,000
ARIZONA	
Agricultural Experiment Station, University of Arizona	575,000
Arizona State University	120,000
Northern Arizona University	180,000
ARKANSAS	
Agricultural Experiment Station, Univ. of Arkansas	210,000
CALIFORNIA	
Agricultural Experiment Station, Univ. of California, Berkeley	560,000
Chiron Corporaton, Emeryville	50,000
Patrick J. Neale, Berkeley	50,750
San Diego State University Foundation	60,000
Stanford University	410,000
University of California, Davis	2,668,000
University of California, Irvine	60,000
University of California, Los Angeles	648,000
University of California, San Francisco	180,000
University of California, Santa Barbara	115,000
University of California, Santa Cruz	146,250
University of California, Riverside	900,385
USDA-Agricultural Research Service	50,000
COLORADO	
Agricultural Experiment Station, Colorado State University	375,000
University of Colorado, Boulder	110,000
USDA-Agricultural Research Service	120,000
CONNECTICUT	
Agricultural Experiment Station, New Haven	30,000
Agricultural Experiment Station, Univ. of Connecticut, Storrs .	207,000
DISTRICT OF COLUMBIA	
Carnegie Institution of Washington	19,000
Georgetown University	91,709
FLORIDA	
Agricultural Experiment Station, University of Florida	715,988
University of South Florida	110,000
GEORGIA	
Agricultural Experiment Station, University of Georgia	975,000
Emory University	73,775
Georgia Institute of Technology	100,000
USDA-Agricultural Research Service	507,000
HAWAII	
Agricultural Experiment Station, University of Hawaii	30,000
IDAHO	
Agricultural Experiment Station, University of Idaho	191,800
ILLINOIS	
Agricultural Experiment Station, University of Illinois	1,005,207
University of Illinois at Chicago	150,000
Northern Illinois University	90,000
Northwestern University	55,000
University of Chicago	93,000
USDA-Agricultural Research Service	616,000
INDIANA	
Agricultural Experiment Station, Purdue University	898,543
Fort Wayne State Developmental Center	140,471
University of Notre Dame	100,000
IOWA	
Agriculture & Home Economics Experiment Sta., Iowa State Univ.	521,550
University of Iowa	50,000
KANSAS	
Agricultural Experiment Station, Kansas State University	647,000
University of Kansas	100,000
University of Kansas Medical Center	200,000

State/Recipient -----	1988 Actual -----
KENTUCKY	
Agricultural Experiment Station, University of Kentucky	326,760
LOUISIANA	
Agricultural Experiment Station, Louisiana State University ...	120,000
MAINE	
Agricultural Experiment Station, University of Maine	74,130
MARYLAND	
Agricultural Experiment Station, University of Maryland	403,635
Johns Hopkins University	120,000
Bionetics Research, Inc.....	99,587
Henry M. Jackson Foundation for the Advancement of Military Medicine	150,000
USDA-Agricultural Research Service	538,000
MASSACHUSETTS	
Agricultural Experiment Station, University of Massachusetts ..	859,096
Boston University	145,272
Harvard University	387,000
Marine Biological Laboratory	175,000
Massachusetts General Hospital	180,000
MICHIGAN	
Agricultural Experiment Station, Michigan State University	1,996,946
University of Michigan	200,000
Michigan Technological University	45,000
MINNESOTA	
Agricultural Experiment Station, University of Minnesota	1,275,583
MISSOURI	
Agricultural Experiment Station, University of Missouri	803,900
Washington University	175,000
MONTANA	
Agricultural Experiment Station, University of Montana	100,000
NEBRASKA	
Agricultural Experiment Station, University of Nebraska	294,300
NEVADA	
Agricultural Experiment Station, University of Nevada	100,000
NEW HAMPSHIRE	
Agricultural Experiment Station, University of New Hampshire ..	120,000
NEW JERSEY	
Agricultural Experiment Station, Rutgers University	416,300
University of Medicine and Dentistry of New Jersey	140,000
NEW MEXICO	
Agricultural Experiment Station, New Mexico State University ..	200,000
NEW YORK	
Agricultural Experiment Station, Cornell University	1,798,924
Albany Medical College of Union University	129,490
Boyce Thompson Institute	360,000
New York University	100,000
North Shore University Hospital	152,388
State University of New York at Buffalo	65,000
College of Environmental Science and Forestry, State University of New York	218,348
Health Science Center at Syracuse, State University of New York	95,000
Skidmore College	5,000
State University of New York at Stony Brook	100,000
Union College	69,000
NORTH CAROLINA	
Agricultural Experiment Station, North Carolina State University	1,280,042
Bowman Gray School of Medicine of Wake Forest University	200,000
Duke University	80,000
NORTH DAKOTA	
Agricultural Experiment Station, North Dakota State University	100,000
OHIO	
Agricultural Experiment Station, Ohio State University	594,200
OKLAHOMA	
Agricultural Experiment Station, Oklahoma State University	423,220
University of Oklahoma	150,000

State/Recipient -----	1988 Actual -----
OREGON	
Agricultural Experiment Station, Oregon State University	669,525
University of Oregon	200,000
PENNSYLVANIA	
Agricultural Experiment Station, Pennsylvania State University	1,177,225
Thomas Jefferson University	203,041
RHODE ISLAND	
Brown University	220,000
Gordon Research Conference	42,450
SOUTH CAROLINA	
University of South Carolina	108,602
SOUTH DAKOTA	
Agricultural Experiment Station, South Dakota State University	97,700
TENNESSEE	
Agricultural Experiment Station, University of Tennessee	447,000
US Department of Energy, Oak Ridge	210,000
Vanderbilt University	200,000
TEXAS	
Agricultural Experiment Station, Texas A&M University	1,056,000
Baylor College of Medicine	450,000
Texas Tech University	65,000
University of Texas	150,000
UTAH	
University of Utah	140,000
VERMONT	
Agricultural Experiment Station, University of Vermont	50,000
VIRGINIA	
Agricultural Experiment Station, Virginia Polytechnic	
Institute and State University	790,300
WASHINGTON	
Agricultural Experiment Station, Washington State University ..	580,000
University of Washington	105,000
WISCONSIN	
Agricultural Experiment Station, University of Wisconsin	2,192,574
Medical College of Wisconsin	60,000
WYOMING	
Agricultural Experiment Station, University of Wyoming	98,690

Subtotal	40,168,656
Federal administration (4%)	1,694,880
Small Business Act	508,464

Total	42,372,000
	=====

EXTENSION SERVICE

Purpose Statement

Cooperative extension work was established by the Smith-Lever Act of May 8, 1914, as amended. Legislation authorizes the Department of Agriculture to provide, through the land-grant colleges, cooperative extension work that consists of the development of practical applications of research knowledge and the giving of instruction and practical demonstrations of existing or improved practices of technologies in agriculture, uses of solar energy with respect to agriculture, home economics, related subjects and to encourage the application of such information by demonstrations, publications, and other means to persons not attending or resident in the colleges. This work is further emphasized in Title XIV (National Agricultural Research, Extension, and Teaching Policy) of the Food and Agriculture Act of 1977, as amended in 1981 and 1985.

To fulfill the requirements of the Smith-Lever Act, state and county Extension offices in each State, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, American Samoa, the Northern Marianas and Micronesia, conduct educational programs to improve American agriculture and strengthen the Nation's families and communities.

The Extension Service, USDA, provides national leadership and represents the U.S. Department of Agriculture within the Cooperative Extension System, comprised of some 21,000 state and local Extension system employees and 2.9 million program service volunteers. As of September 30, 1988, there were 170 full-time permanent employees and 15 other than full-time permanent employees, all located in the D.C. metropolitan area.

EXTENSION SERVICE

Available Funds and Staff-Years1988 Actual and Estimated, 1989 and 1990

Item	1988		1989		1990	
	Actual		Estimated		Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Extension Service.....	\$357,963,000:	173	\$361,370,000:	173	\$324,840,000:	173
Obligations under Other USDA	:	:	:	:	:	:
Appropriations:	:	:	:	:	:	:
Agricultural Stabilization and Conservation Service -	:	:	:	:	:	:
Colorado River Salinity	189,000:	:	189,000:	:	225,000:	:
Rural Clean Water Project.....	589,018:	:	600,000:	:	600,000:	:
Agricultural Research Service -	:	:	:	:	:	:
Food Supply Safety	52,431:	:	--	:	--	:
Support Services.....	4,426:	:	5,000:	:	5,000:	:
Role on Issues Study	25,000:	:	--	:	--	:
Dietary Analysis Program	50,000:	:	--	:	--	:
Small Scale Family Farming	35,000:	:	40,000:	:	40,000:	:
Econ. Development- New Alliance	30,000:	:	--	:	--	:
Agricultural Marketing Service -	:	:	:	:	:	:
Beef Research Referendum	68,887:	:	--	:	--	:
Cooperative State Research Service -	:	:	:	:	:	:
Aquaculture Program.....	5,000:	:	5,000:	:	5,000:	:
Low-Input Farming	50,000:	:	100,000:	:	--	:
Shared Positions	32,000:	:	32,000:	:	32,000:	:
Federal Crop Insurance Corporation -	:	:	:	:	:	:
Educational Activities	378,000:	:	--	:	--	:
Human Nutrition Information Service -	:	:	:	:	:	:
Dietary Guidelines	20,250:	:	--	:	--	:
Soil Conservation Service -	:	:	:	:	:	:
Water Quality	38,728:	:	40,000:	:	40,000:	:
Office of Advocacy & Enterprise -	:	:	:	:	:	:
Rural Development Workshop	2,160:	:	5,000:	:	5,000:	:
Total, Other USDA Appropriations	1,569,900:	--	1,016,000:	--	952,000:	-
Total, Agriculture Appropriations	359,532,900:	173	362,386,000:	173	325,792,000:	173

Item	1988	1989	1990
	Actual	Estimated	Estimated
	Amount	Staff- Years	Staff- Years
Other Federal Funds:			
Reimbursements:			
AID-PASA International Extension.....	2,070,200:	2,000,000:	2,000,000:
Department of Interior -			
Fish & Wildlife Recognition Program	7,000:	10,000:	10,000:
Environmental Protection Agency -			
Chesapeake Bay Program	45,360:	50,000:	50,000:
RCWP Handbook	8,000:	--	--
FPST- FLA	12,492:	13,000:	--
Pesticide Applicator Training.....	1,944,660:	1,900,000:	1,900,000:
Risk Management	15,699:	16,000:	--
Department of Labor -			
RD Policy Education Program	32,400:	35,000:	--
Economic Development Admin. -			
Regional RD Policy	21,600:	25,000:	--
U.S. Army -			
Family Life Enrichment.....	602,024:	700,000:	750,000:
Total, Other Federal Funds	4,759,435:	4,749,000:	4,710,000:
Non-Federal Funds:			
Federal Assistance Program Retrieval..	6,000:	10,000:	10,000:
Federal Telecommunications System.....	125,000:	120,000:	120,000:
Federal Building Fund.....	154,865:	150,000:	150,000:
Cost Share Printing.....	84,800:	100,000:	100,000:
Total, Non-Federal Funds	370,665:	380,000:	380,000:
Total, Extension Service	\$364,663,000: 173	\$367,515,000: 173	\$330,882,000: 173

	1988 Actual	1989 Estimated	1990 Estimated
Full-Time Equivalent Staff-Years:			
Ceiling.....	173	173	173
Non-Ceiling.....	1	1	1
Total.....	174	174	174

EXTENSION SERVICE

Permanent Positions by Grade and Staff-Year Summary1988 and Estimated 1989 and 1990

GRADE	1988	1989 est.	1990 est.
ES-5	1	1	1
ES-4	5	5	5
ES-3	2	2	2
GS/GM-15	31	31	31
GS/GM-14	31	31	31
GS/GM-13	11	11	11
GS-12	6	6	6
GS-11	7	7	7
GS-9	4	4	4
GS-8	6	6	6
GS-7	14	14	14
GS-6	30	30	30
GS-5	6	6	6
GS-4	11	11	11
GS-2	8	8	8
Total, Permanent Positions:	173	173	173
Staff Years:			
Ceiling.....	173	173	173
Non-ceiling.....	1	1	1
TOTAL.....	174	174	174

EXTENSION SERVICE

CLASSIFICATION BY OBJECTS1988 and Estimated 1989 and 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Personnel Compensation:			
Headquarters.....	\$7,730,197	\$8,123,000	\$8,194,000
Field.....	<u>- -</u>	<u>- -</u>	<u>- -</u>
11 Total Personnel Compensation.....	7,730,197	8,123,000	8,194,000
12 Personnel Benefits.....	<u>1,114,422</u>	<u>1,140,000</u>	<u>1,158,000</u>
Total Pers. Comp. & Benefits.....	8,844,619	9,263,000	9,352,000
Other Objects:			
21 Travel.....	637,988	650,000	650,000
22 Transportation of things.....	32,408	30,000	30,000
23.2 Communications, utilities & other rent.....	632,182	625,000	600,000
24 Printing & reproduction.....	480,915	490,000	480,000
25 Other services.....	1,272,156	1,200,000	1,150,000
26 Supplies & materials.....	211,861	200,000	200,000
31 Equipment	272,818	237,000	220,000
41 Grants, subsidies & contributions.....	<u>345,550,492</u>	<u>348,675,000</u>	<u>312,158,000</u>
Total other objects.....	<u>349,090,820</u>	<u>352,107,000</u>	<u>315,488,000</u>
Total direct obligations.....	357,935,439	361,370,000	324,840,000

Position Data:

Average Salary, ES positions.....	\$ 71,290	\$72,390	\$72,390
Average Salary, GM/GS positions.....	\$ 35,968	\$36,302	\$36,302
Average Grade, GM/GS positions.....	9.96	9.96	9.96

EXTENSION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Payments to States, Puerto Rico, Guam, the Virgin Islands, Micronesia, Northern Marianas, and American Samoa: For payments for cooperative agricultural extension work under the Smith-Lever Act, as amended by the Act of June 26, 1953, the Act of August 11, 1955, the Act of October 5, 1962, (7 U.S.C. 341-349), section 506 of the Act of June 23, 1972, and the Act of September 29, 1977 (7 U.S.C. 341-349), as amended, and section 1361(c) of the Act of October 3, 1980 (7 U.S.C. 301n.), to be distributed under sections 3(b) and 3(c) of said Act, for retirement and employees' compensation costs for extension agents and for costs of penalty mail for cooperative extension agents and State extension directors, \$241,594,000; payments for the nutrition and family education program for low-income areas under section 3(d) of the Act, [\$58,635,000; payments for the urban gardening program under section 3(d) of the Act, \$3,500,000] \$21,600,000; payments for the pest management program under section 3(d) of the Act, \$7,164,000; [payments for the farm safety program under section 3(d) of the Act, \$970,000;] payments for the pesticide impact assessment program under section 3(d) of the Act, [\$1,633,000]; \$2,580,000; grants to upgrade 1890 land-grant college extension facilities as authorized by section 1416 of Public Law 99-198, \$9,508,000, to remain available until expended; [payments for an integrated reproductive management program under section 3(d) of the Act, \$47,000;] payments for the rural development centers under section 3(d) of the Act, \$950,000; payments for extension work under section 209(c) of Public Law 93-471, \$953,000; payments for a groundwater quality program under section 3(d) of the Act, [1,500,000; payments for a financial management assistance program under section 3(d) of the Act \$1,427,000; for special grants for financially stressed farmers and dislocated farmers as authorized by Public Law 100-219, \$3,350,000; payments for carrying out the provisions of the Renewable Resources Extension Act of 1978, \$2,765,000;] \$6,500,000; payments for Priority Initiatives Projects under section 3(d) of the Act, \$5,000,000; and payments for extension work by the colleges receiving the benefits of the second Morrill Act (7 U.S.C. 321-326, 328) and Tuskegee University, [\$18,291,000] \$24,000,000; in all, [\$352,287,000 of which not less than \$79,400,000 is for Home Economics:] \$319,849,000; Provided, That funds hereby appropriated pursuant to section 3(c) of the Act of June 26, 1953, and section 506 of the Act of June 23, 1972, as amended, shall not be paid to any State, Puerto Rico, Guam, or the Virgin Islands, Micronesia, Northern Marianas and American Samoa prior to availability of an equal sum from non-Federal sources for expenditure during the current fiscal year.

Federal administration and coordination: For administration of the Smith-Lever Act, as amended by the Act of June 26, 1953, the Act of August 11, 1955, the Act of October 5, 1962, section 506 of the Act of June 23, 1972, section 209(d) of Public Law 93-471, and the Act of September 29, 1977 (7 U.S.C. 341-349), as amended, and section 1361(c) of the Act of October 3, 1980 (7 U.S.C. 301n.), and to coordinate and provide program leadership for the extension work of the Department and the several States and insular possessions, [\$9,083,000; of which not less than \$2,300,000 is for Home Economics.] \$4,991,000 (Rural Development, Agriculture, and Related Agencies Appropriation Act, 1989.)

The first change is for the purpose of deleting language providing for earmarked funding for Urban Gardening, Farm Safety, Farm Financial Management Assistance, and Integrated Reproductive Management. Earmarked funding for these programs is not proposed in fiscal year 1990.

The second change deletes language providing earmarked funding for Disadvantaged Farmer Assistance Grants under the Food Security Act of 1985 and programs funded under the Renewable Resources Extension Act.

The third change is for the purpose of adding language for funding Priority Initiative Projects under section 3(d) of the Smith-Lever Act.

The fourth and fifth changes delete the requirement establishing a level of support for Extension's Home Economics program. This provision conflicts with the proposed reduction of the EFNEP funding as well as the primary intent of the Smith-Lever Act giving maximum flexibility to the State Cooperative Extension Services in determining programs needing attention in the respective States.

EXTENSION SERVICE

Appropriation Act, 1989.....	\$361,370,000
Budget Estimate, 1990.....	<u>324,840,000</u>
Decrease in Appropriation.....	<u>-36,530,000</u>

SUMMARY OF INCREASES AND DECREASES

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Smith-Lever Sections 3b&c.....	\$241,594,000	--	\$241,594,000
Smith-Lever Section 3d:			
Priority Initiatives	--	+\$5,000,000	5,000,000
Water Quality	1,500,000	+5,000,000	6,500,000
Food and Nutrition Education..	58,635,000	-37,035,000	21,600,000
Pest Management.....	7,164,000	--	7,164,000
Farm Safety.....	970,000	-970,000	--
Pesticide Impact Assessment..	1,633,000	+947,000	2,580,000
Urban Gardening.....	3,500,000	-3,500,000	--
Financial Management.....	1,427,000	-1,427,000	--
Integrated Reproductive Mgmt.	47,000	-47,000	--
Rural Development Centers....	950,000	--	950,000
Renewable Resource Extension Act.	2,765,000	-2,765,000	--
D.C. Extension.....	953,000	--	953,000
Disadvantaged Farmer Assistance Grants	3,350,000	-3,350,000	--
1890 Colleges and Tuskegee University.....	18,291,000	+5,709,000	24,000,000
1890's Facilities.....	9,508,000	--	9,508,000
Federal Administration and Coordination.....	<u>9,083,000</u>	<u>-4,092,000</u>	<u>4,991,000</u>
Total, Available.....	<u>361,370,000</u>	<u>-36,530,000</u>	<u>324,840,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	1988		1989		Increase or Decrease	1990	
	Actual	Staff:	Estimated	Staff:		Estimated	Staff:
	Amount	Years:	Amount	Years:		Amount	Years:
1. Payments to States:							
a. Smith-Lever Act							
(1) Sections 3b & c							
Program.....	\$235,771,240	--	\$235,771,240	--	--	\$235,771,240	--
Set-aside for							
Federal Admin-							
istration (4%)	5,802,459	--	5,822,760	--	--	5,822,760	--
Subtotal, Sections							
3b & c.....	241,573,699	--	241,594,000	--	--	241,594,000	--
(2) Section 3(d):							
Program:							
Priority Init-							
iatives	--	--	--	--	+\$5,000,000	5,000,000	--
Water Quality...			1,500,000	--	+5,000,000	6,500,000	--
Food and Nutri-							
tion (EFNEP)...	58,635,000	--	58,635,000	--	-37,035,000	21,600,000	--
Pest Management..	7,164,000	--	7,164,000	--	--	7,164,000	--
Farm Safety.....	970,000	--	970,000	--	-970,000	--	--
Pesticide Impact:							
Assessment.....	1,633,000	--	1,633,000	--	+947,000	2,580,000	--
Urban Gardening..	3,329,000	--	3,500,000	--	-3,500,000	--	--
Financial Mgmt...	1,427,000	--	1,427,000	--	-1,427,000	--	--
Integrated Re-							
productive Mgmt:	47,000	--	47,000	--	-47,000	--	--
Rural Develop-							
ment Centers...	903,000	--	950,000	--	--	950,000	--
Subtotal, Section							
3(d).....	74,108,000	--	75,826,000	--	-32,032,000	43,794,000	--
Total, payments under							
the Smith-Lever Act..	315,681,699	146	317,420,000	146	-32,032,000(1)	285,388,000	146

Project	1988			1989			Increase or Decrease	1990		
	Actual	Staff:	Years:	Estimated	Staff:	Years:		Estimated	Staff:	Years:
	Amount			Amount				Amount		
b. Payments under Renewable Resources Extension Act.....	2,765,000	--		2,765,000	--		-2,765,000(2)	--	--	
c. Payments to the District of Columbia:										
Program.....	897,600	1		914,880	1		--	914,880	1	
Set-aside for Federal Administration (4%)...	37,400	--		38,800	--		--	38,800	--	
Total, payments to the District of Columbia.....	935,000	1		953,000	1		--	953,000	1	
d. Payments to 1890 Colleges and Tuskegee Univ:										
Program.....	17,559,360	1		17,559,360	1		+5,480,640	23,040,000	1	
Set-aside for Federal Administration (4%)...	731,640	--		731,640	--		+228,360	960,000	--	
Total, payments to 1890 Colleges and Tuskegee University...	18,291,000	1		18,291,000	1		+5,709,000(3)	24,000,000	1	
e. 1890's Facilities..	9,508,000	--		9,508,000	--		--	9,508,000	--	
f. Payments for Disadvantaged Farmers Ass't ...	3,350,000	--		3,350,000	--		-3,350,000(4)	--	--	
2. Federal Administration and Coordination (Direct Appropriation)....	7,404,740	25		9,083,000	25		-4,092,000(5)	4,991,000	25	
Unobligated balance.....	27,561	--		--	--		--	--	--	
Total available or estimated.....	357,963,000	173		361,370,000	173		-36,530,000	324,840,000	173	
Transfer from the Food Stamp Program.....	-39,627,000	--								
Total, appropriation:	318,336,000	173								

Explanation of Program

Appropriations for the Extension Service enable the U.S. Department of Agriculture to perform its partnership role with State and local counterparts to carry out Cooperative Extension work for the benefit of our Nation's farmers and ranchers, and agricultural industries, rural and urban communities, families and youth, and the ultimate consumers of agricultural goods and services.

Cooperative Extension work is authorized under the Smith-Lever Act of 1914, as amended; the Rural Development Act of 1972, as amended; and the District of Columbia Public Postsecondary Education Reorganization Act. The National Agricultural Research, Extension and Teaching Policy Act Amendments of 1981 and 1985 (Title XIV of the Agriculture and Food Acts of 1981 and 1985) also authorize the Federal Government, States and counties to implement cooperative Extension programs commensurate with needs stemming from changes in U.S. agricultural practices and the world food and agricultural situation.

The Extension Service, an agency in USDA, is a legislated partner in the cooperative effort with each State, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, American Samoa, the Northern Marianas, and Micronesia.

Extension work in States and counties is financed from Federal, State, county and local sources and is jointly planned with ES-USDA to provide educational programs adapted to national, state, and local problems and conditions. Extension helps people identify and solve their farm, home, and community problems through use of research findings of the U.S. Department of Agriculture and the State Land-Grant colleges and universities.

JUSTIFICATION OF INCREASES/DECREASES

(1) A net decrease of \$32,032,000 for programs funded under Section 3(d) of the Smith-Lever Act (\$75,826,000 available in FY 1989).

(a) An increase of \$5,000,000 for Priority Initiatives (No funding available in FY 1989).

Need for Change. Agriculture and rural America are in the midst of a rapidly changing political, socioeconomic, and biological environment. The Cooperative Extension System must be in a position to deal successfully with these changes. Extension National Initiatives provide the opportunity to mobilize proven capabilities of the Cooperative Extension System to address critical changes occurring in agriculture and rural America. The Cooperative Extension System is involving its publics in the resolution of these critical issues. With intensified efforts at establishing program priority initiatives in many States, both staffing and dollar resources are being restructured within the System to address compelling local, State and National issues. However, resources for this purpose are limited throughout the Cooperative Extension System. Clientele expectations to maintain strong responsibilities in the various disciplines remain high. Thus, State Extension Service resources are being strained to adequately address critical issues requiring integrated systems and utilizing interdisciplinary teams. Additional funds are essential in mobilizing multi-state cooperation capitalizing on the strengths and talents available within the System, in concert with the best talents from the private sector. Such cooperation among these groups would result in a highly effective and efficient utilization of both public and private resources aimed at a more prosperous rural America, and competitive and sustainable agriculture. Formula funding will not generate such widely-diverse support and cooperation, nor leverage essential funding support from the private sector, especially from National support groups.

More specifically the cotton industry is now cooperating with USDA and the land-grant institutions to implement the GOSSYM-COMAX project in the cotton belt states. This project is responsible for optimizing yield, while reducing input costs. Another project of significant benefit is the integrated resource management (IRM) project with the beef industry. This project, which calls for the application of the total systems approach to beef production, is in the process of being adopted as a National extension/industry program because of its high efficiency. This project was initiated with minimal Federal funding, but is now supported primarily with private funding. Requested funds are expected to leverage similar expertise and dollar commitments from the private sector.

Addressing the critical issues of agriculture and rural America will require additional and expanded educational and demonstration projects in:

- o developing and applying research-based integrated agricultural systems and approaches into problem-solving packages.
- o diversifying the rural economic base and develop alternative uses of rural resources.
- o addressing the food composition, quality and safety concerns of both producers and consumers.
- o developing more efficient management of agricultural chemicals and other potential contaminants.
- o developing capabilities in marketing, producing and utilizing new agricultural products, services and enterprises, and
- o developing production technology systems that stimulate investments in cost-efficient and environmentally sound management of our natural resources.

Nature of Change. The \$5 million will be used to fund highly focused and innovative projects relative to areas of critical need of agriculture and rural America. State Cooperators will be requested to develop priority project proposals on the basis of the following criteria:

1. innovative and highly focused new approaches to program and delivery development
2. active involvement of private and public sector in identifying, planning and implementing priority initiatives projects.
3. integrated systems approaches using interdisciplinary teams with emphasis on multi-state, regional and national applications.
4. effective linkages with all sources of research, public and private.
5. built-in evaluation components capable of providing benchmark data and measurable progress.
6. technology application targeted to address new and flexible goals.
7. availability of State matching resources.

- (b) An increase of \$5,000,000 for Water Quality Programs (\$1,500,000 available in FY 1989).

Need for Change. Public and Congressional concern about the impacts of agriculture on water quality, and especially about the subsequent impacts on the health and well-being of all Americans, continue to escalate. This escalation is demonstrated by the introduction of numerous legislative proposals to study, oversee, restrict or regulate the alleged impacts of agricultural chemicals on water quality. These legislative proposals are buttressed by confirmed instances of water contamination by agricultural chemicals, especially nitrates, in several states. The USDA has acknowledged that problems have been identified. Positive actions must be taken to minimize further contamination. Voluntary programs based on a strong research, education and technical assistance effort can achieve the desired results.

Education is a vital component of successful voluntary programs. Farmers and other agriculturalists cannot be expected to be responsive to problems of which they are either unaware, or unconvinced. Through educational programs, they will understand their roles, responsibilities and importance of their actions and management systems in assuring the quality of the Nation's water resources. The Extension Service, working with the States, has begun to develop and deliver such educational programs through the redirection of existing resources. The proposed increase will signal the importance of water quality as a national issue and will demonstrate the Federal commitment to environmentally responsible agricultural production systems. It will also result in increased State investments to develop and deliver targeted educational programs that address the environmental challenges posed by both current and past agrichemical uses.

Nature of Change. The increase builds upon the initial funding for water quality programs in FY 1989. This initial funding allowed each State to establish a dedicated effort to address water quality issues of national importance. The increased funds will intensify these efforts by expanding specific programs to maintain agricultural production capabilities while protecting or enhancing the quality of the Nation's waters. These specific programs include:

Midwest initiative (Corn Belt project) - In cooperation with ARS and CSRS, Extension assists in the selection of appropriate demonstration areas; works closely with the research agencies to optimize the use of research workers and results for public education through technology transfer. These projects will demonstrate state-of-the-art production systems and assist in accelerating farmer adoption of new ways to maintain profitability while protecting water quality.

Database development - In cooperation with ERS, develop national databases on the extent of use of agricultural chemicals. These basic data will be useful to environmentalists seeking to establish cause and effect relationships; agriculturalists evaluating programs designed to change patterns of usage; and policy makers balancing the environmental risks with the need to determine formal policies.

Technology development - Increase joint efforts with SCS to provide USDA field offices with newest technologies that address agrichemical water quality issues. This includes the refinement of recommendations and guidelines for the application of agrichemicals; upgrading of field manuals; development of expert systems to evaluate management practices for agricultural production systems.

Agricultural Chemical Demonstration Projects - Join efforts with SCS to pilot test and demonstrate the effects of innovative production systems on environmental quality, farm profitability and agricultural production. Demonstrate to farmers, the agribusiness community and Federal, State and local policy makers economic and production impacts of alternative agricultural production systems that minimize the nonpoint effects of pesticides and nutrients. Demonstrations will include a coordinated operational plan for both education and technical assistance.

Pesticide Applicator Training - Educational programs will be expanded to emphasize the interactions of pesticides, weather, soils and water quality. Programs will make pesticide users aware of such interactions; of the importance of their decisions and management systems; of the likelihood of water contamination in specific sites and of personal, social, political and legal ramifications of such contamination.

Nonpoint Source Hydrologic Units - This increase will provide for the initial implementation of education programs that are coordinated with SCS Technical Assistance Programs, to implement State plans in targeted high priority hydrologic units. These programs will be designed to reduce nonpoint source pollutant loadings through the adoption of alternative agricultural production practices. These projects will utilize and incorporate the products and methodologies developed from other water quality program efforts.

- (c) A decrease of \$37,035,000 in payments to States for the Expanded Food and Nutrition Education Program (EFNEP) under Section 3(d) of the Smith-Lever Act (\$58,635,000 available in FY 1989).

Need for Change. EFNEP is designed to work closely with other Federal food assistance programs to increase their effectiveness. This basic program would concentrate on: (1) continuing cooperation with food stamps, WIC and other programs to identify families needing

assistance; (2) providing in-depth training for volunteers from either public or private organizations that can serve as extenders of EFNEP food and nutrition education; and (3) combining effective methods that capitalize on fewer personal contacts. The program would focus its major thrust to the most critical food and nutrition needs of low income families at local levels, providing flexibility to incorporate non-traditional teaching methods that are effective, especially helping low-income families with young children.

Funding at this level would include a basic EFNEP youth component. Food and nutrition principles would be taught in a setting which encourages the relationship between food and fitness, and the vital relationship each plays in good health. The program would be closely allied with 4-H to involve youth in additional 4-H projects designed for youth development.

The youth portion of the program would specifically target low income youth with special needs and be coordinated with other related programs. It is anticipated that community support would further expand this EFNEP youth outreach and enhance the available resources to implement the core programs.

Nature of Change. Program sites will be concentrated on populous areas. This funding level allows the Extension Service to provide a nutrition education program to some of the recipients of Federal government food assistance programs. This level will incorporate objectives and program improvements in order to allow EFNEP to reach as many individuals as possible at the proposed funding level. This will be achieved by intensifying cooperation with food stamps, WIC and other programs, training volunteers for program delivery and blending the historic one-to-one relationships of EFNEP aides and clientele with the goal of small group involvement by participants, with teaching tailored to the shortest time frame possible.

Proposed FY 1990 funding levels for EFNEP, Pest Management and Rural Development Centers are based on the premise that States will match the federal contribution for these programs.

- (d) An increase of \$947,000 for the National Agricultural Pesticide Impact Assessment Program (NAPIAP) (\$1,633,000 available in FY 1989).

Need for Change. These funds will provide support for the Cooperative Extension System's participation in the joint State-Federal National Agricultural Pesticide Impact Assessment Program (NAPIAP). The purpose of the program is to provide management and coordination of USDA and State activity to promote informed regulatory decisions on registered pesticides that significantly benefit U.S. agriculture without causing unreasonable adverse effects on the environment. EPA is required under Section six of the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) to refer to the Secretary of Agriculture all proposed cancellation actions. The Secretary must be prepared to respond based upon the data that has been collected. It is through the State system that much of this information is derived and thus the need for these additional funds.

Recent developments regarding pesticides in ground water, residues in food, endangered species, and the general acceleration of EPA's reregistration program are placing increased pressure on the Agriculture system to provide the needed data. EPA has advised us that between 10 and 15 chemicals will enter their special review program annually as a result of the reregistration activity. This is a significant increase over recent years. The NAPIAP will be required to gather and analyze information on each of these chemicals as well as certain broader questions such as all of the fungicide chemicals. Research support is provided through the State Agricultural Experiment Stations and the Agricultural Research Service and additional economic analysis is conducted by the Economic Research Service.

Nature of Change. These funds will be utilized to support Extension participation on the assessment teams which will be formed to respond to Federal regulatory issues on specific or groups of pesticides. Without the requisite data, chemicals essential to agricultural production might be removed from the market place unnecessarily.

- (e) A decrease of \$5,944,000 for the earmarked programs listed below (\$5,944,000 available in FY 1989):

A decrease of \$970,000 to eliminate earmarked funding for Farm Safety (\$970,000 available in FY 1989).

A decrease of \$3,500,000 to eliminate the Urban Gardening Program (\$3,500,000 available in FY 1989).

A decrease of \$1,427,000 to eliminate the special funding for assistance to farmers in Financial Management (\$1,427,000 available in FY 1989).

A decrease of \$47,000 for the Integrated Reproductive Management (IRM) Program (\$47,000 available in FY 1989).

Need for Change. Programs in these specific areas have been developed with prior earmarked funds. Funding from basic formula programs, State and local governments and private sources could be used to continue high priority aspects of these programs.

Nature of Change. This proposal will eliminate specifically earmarked funding for certain low priority programs under Section 3(d) of the Smith-Lever Act.

- (2) A decrease of \$2,765,000 to eliminate earmarked funding for the Renewable Resources Extension Act (RREA)(P.L. 95-306) (\$2,765,000 available in FY 1989)

Need for Change. RREA funds have assisted State and local efforts to initiate and develop programs in forest and range conservation and utilization. While these funds have stimulated additional State and local support for educational programs for small, private, non-industrial forest and range landowners, elimination of this earmarked Federal RREA funding is being proposed in favor of non-earmarked formula funds.

Nature of Change. This proposal will eliminate specifically earmarked funding for the Renewable Resources Extension Act.

- (3) An increase of \$5,709,000 for the 1890 Colleges and Tuskegee University (\$18,291,000 available in FY 1989).

Need for Change. Programs conducted by the 1890 institutions and Tuskegee University fill a unique role in supporting training, research and technology transfer functions in support of American agriculture. A major emphasis of these programs is focused on the needs of small-scale, limited resource and minority clientele. Recognizing the important role these institutions play in providing talent and technology to USDA and the broader agriculture and natural resources sectors, the Department established a task force comprised of USDA officials and 1890 Presidents to review programs conducted at these schools and means to strengthen the capacity of the 1890's. A number of recommendations were considered by the task force, including expansion of ongoing programs and new programs to encourage development of new linkages to increase the effectiveness of 1890 programs in providing support for the agricultural and forestry sectors. Adoption of many of the recommendations is reflected in the Department's 1990 budget.

Consistent with expanded teaching and research programs, an increase in the 1890 Extension program is proposed.

Nature of Change. Proposed increases in Extension will permit these institutions to provide for traditional clientele and with an appropriate focus on National Initiatives, with direct efforts to programs addressing;

Competitiveness and Sustainability American Agriculture
Improving Nutrition, Diet and Health
Family and Economic Well-Being
Rural Revitalization with emphasis on home-based businesses.

- (4) A decrease of \$3,350,000 for payments to States for Disadvantaged Farmer Assistance (\$3,350,000 available in FY 1989).

Need for Change. Disadvantaged Farmer Assistance grants were provided to the States of Nebraska, Iowa and Missouri in the amount of \$500,000 each. Additionally, \$1,850,000 was distributed in grants to Kansas, Mississippi, North Dakota, Oklahoma and Vermont to provide educational and counseling programs for economically distressed or displaced farmers. Major national initiatives to address issues of agricultural profitability and rural revitalization are proposed for FY 1989. Funding from these new programs and other sources is available to address the needs of economically distressed farmers.

Nature for Change. This proposal will eliminate specifically earmarked funding for this program.

- (5) A net decrease of \$4,092,000 for Federal Administration and Coordination (direct appropriation) (\$9,083,000 available in FY 1989).

<u>Project</u>	<u>1989</u>	<u>Inc/ Dec</u>	<u>1990</u>
Technology transfer.....	\$333,000	-\$333,000	--
Farm financial mgmt.....	190,000	-190,000	--
Rural Development	433,000	-433,000	--
Appropriate Technology Transfer for Rural America	900,000	-900,000	--
Crambe & rapeseed	65,000	-65,000	--
American Pacific Init...	650,000	-650,000	--
Livestock Guarding Dog..	80,000	-80,000	--
Fish Creek Slough Area..	50,000	-50,000	--
Interpretive Center.....	75,000	-75,000	--
Rural Education Model ..	854,000	-854,000	--
Documentary films on American agriculture..	175,000	-175,000	--
Rural Rehabilitation Projects	129,000	-129,000	--
Agriculture Competitive- ness project	<u>167,000</u>	<u>-167,000</u>	<u>--</u>
Subtotal	4,101,000	-4,101,000	--
Base, federal administration	<u>4,982,000</u>	<u>+9,000</u>	<u>\$4,991,000</u>
Total	9,083,000	-4,092,000	4,991,000

- (a) A decrease of \$4,101,000 for special projects. (\$4,101,000 available in FY 1989).

Need for Change. Some of these projects have been funded for several years by the Congress. The results learned from them have been sufficiently integrated into ongoing programs and have generated additional resources from other than Federal funds to continue the expressed focus of the projects. Additionally, a number of these concerns are being addressed under other initiatives and funds within the budget request.

Nature of Change. This proposal will eliminate earmarked Federal funding support for these special projects.

- (b) An increase of \$9,000 for increased operating costs (\$4,982,000 available in FY 1989).

Extension Service
Geographic Breakdown of Obligations
1988 and Estimated 1989 and 1990
(Amounts in 000's)

State/Territory	FY-1988 Actual Obligations	Estimated Obligations	
		FY-1989	FY-1990
Alabama	\$11,462	\$10,243	\$9,520
Alaska	1,228	1,173	965
American Samoa	300	716	657
Arizona	2,782	2,529	1,907
Arkansas	8,144	7,530	6,949
California	9,813	9,808	7,418
Colorado	3,497	3,327	2,757
Connecticut	2,315	2,314	1,907
Delaware	1,834	1,631	1,528
Florida	7,405	6,989	5,770
Georgia	11,267	10,848	9,663
Guam	778	778	719
Hawaii	1,431	1,529	1,214
Idaho	2,825	2,667	2,347
Illinois	10,857	10,759	9,107
Indiana	8,758	8,614	7,724
Iowa	9,944	9,444	8,366
Kansas	6,590	6,181	5,167
Kentucky	11,632	10,949	10,267
Louisiana	9,035	7,844	6,713
Maine	2,377	2,335	2,005
Maryland	5,209	4,602	4,069
Massachusetts	3,408	3,406	2,614
Michigan	9,514	9,445	8,139
Micronesia	442	777	713
Minnesota	9,043	8,490	7,824
Mississippi	10,280	9,724	8,542
Missouri	11,286	10,836	9,684
Montana	2,696	2,558	2,210
Nebraska	5,508	5,455	4,501
Nevada	1,239	1,231	982
New Hampshire	1,625	1,618	1,416
New Jersey	3,732	3,664	2,807
New Mexico	2,474	2,388	1,918
New York	11,407	10,965	8,303
North Carolina	15,444	14,779	13,679
North Dakota	3,993	3,904	3,206
Ohio	11,039	10,984	9,445
Oklahoma	7,833	7,135	6,311
Oregon	4,260	3,904	3,464
Pennsylvania	11,425	11,380	9,516
Puerto Rico	7,473	7,413	6,460
Rhode Island	1,213	1,212	970
South Carolina	8,519	7,603	6,846
South Dakota	3,447	3,377	3,049
Tennessee	11,978	11,080	10,063
Texas	18,310	17,548	15,248
Utah	1,945	1,890	1,549
Vermont	2,170	1,919	1,521
Virgin Islands	763	760	702
Virginia	10,754	9,415	8,637
Washington	4,597	4,401	3,799
West Virginia	4,563	4,535	3,876
Wisconsin	8,527	8,427	7,624
Wyoming	1,576	1,555	1,337
No. Mariana Islands	302	696	638
District of Columbia	898	915	915
Sub-total	343,166	328,199	285,247
To be Allocated:			
Earmarked Efforts	--	5,601	--
1890 Facilities	--	9,508	9,508
FERS	--	4,000	4,000
Proposed Increases	--	--	11,500
Fed'l Admin	14,797	14,062	14,585
Total	357,963	361,370	324,840

Table I
 APPROPRIATION FOR PAYMENTS TO STATES
 STATE ALLOTMENTS, FY 1988 - 1990

Smith-Lever Act Section 3(b) & 3(c)	FY 1988	FY-1989	Total Proposed FY-1990
Alabama	\$5,231,812	\$5,231,812	\$5,231,812
Alaska	751,085	751,085	751,085
American Samoa	641,034	641,034	641,034
Arizona	1,325,754	1,325,754	1,325,754
Arkansas	4,391,819	4,391,819	4,391,819
California	5,292,406	5,292,406	5,292,406
Colorado	2,080,741	2,080,741	2,080,741
Connecticut	1,567,538	1,567,538	1,567,538
Delaware	887,978	887,978	887,978
Florida	3,066,343	3,066,343	3,066,343
Georgia	5,820,150	5,820,150	5,820,150
Guam	675,325	675,325	675,325
Hawaii	953,304	953,304	953,304
Idaho	1,869,751	1,869,751	1,869,751
Illinois	6,957,331	6,957,331	6,957,331
Indiana	6,245,485	6,245,485	6,245,485
Iowa	6,625,561	6,625,561	6,625,561
Kansas	3,887,790	3,887,790	3,887,790
Kentucky	6,641,167	6,641,167	6,641,167
Louisiana	3,893,054	3,893,054	3,893,054
Maine	1,568,663	1,568,663	1,568,663
Maryland	2,383,356	2,383,356	2,383,356
Massachusetts	1,962,241	1,962,241	1,962,241
Michigan	6,339,179	6,339,179	6,339,179
Micronesia	692,347	692,347	692,347
Minnesota	6,216,814	6,216,814	6,216,814
Mississippi	5,447,039	5,447,039	5,447,039
Missouri	6,155,277	6,155,277	6,155,277
Montana	1,754,358	1,754,358	1,754,358
Nebraska	3,512,199	3,512,199	3,512,199
Nevada	758,166	758,166	758,166
New Hampshire	1,110,041	1,110,041	1,110,041
New Jersey	1,929,934	1,929,934	1,929,934
New Mexico	1,428,607	1,428,607	1,428,607
New York	5,980,962	5,980,962	5,980,962
North Carolina	8,793,146	8,793,146	8,793,146
North Dakota	2,437,431	2,437,431	2,437,431
Ohio	7,649,909	7,649,909	7,649,909
Oklahoma	3,939,478	3,939,478	3,939,478
Oregon	2,470,842	2,470,842	2,470,842
Pennsylvania	7,480,070	7,480,070	7,480,070
Puerto Rico	5,594,387	5,594,387	5,594,387
Rhode Island	754,094	754,094	754,094
South Carolina	4,291,462	4,291,462	4,291,462
South Dakota	2,516,695	2,516,695	2,516,695
Tennessee	6,404,242	6,404,242	6,404,242
Texas	8,872,600	8,872,600	8,872,600
Utah	1,163,165	1,163,165	1,163,165
Vermont	1,239,850	1,239,850	1,239,850
Virgin Islands	656,922	656,922	656,922
Virginia	5,310,606	5,310,606	5,310,606
Washington	2,928,383	2,928,383	2,928,383
West Virginia	3,092,014	3,092,014	3,092,014
Wisconsin	6,212,219	6,212,219	6,212,219
Wyoming	1,048,236	1,048,236	1,048,236
No. Mariana Islands	620,969	620,969	620,969
Sub-total	199,521,331	199,521,331	199,521,331
3(b) Special Needs	1,544,909	1,544,909	1,544,909
3(c) Fed'l Admin.	5,822,760	5,822,760	5,822,760
Total	206,889,000	206,889,000	206,889,000

Table IA
 APPROPRIATION FOR PAYMENTS TO STATES
 PESTICIDE IMPACT ASSESSMENT, FY 1988 - 1990

Smith-Lever Act: Section 3(d)	FY 1988	FY1989	Total Proposed for FY 1990
Alabama	\$24,287	\$24,287	\$24,287
Alaska	8,491	8,491	8,491
Arizona	17,980	17,980	17,980
Arkansas	37,917	37,917	37,917
California	82,862	82,862	82,862
Colorado	18,976	18,976	18,976
Connecticut	11,155	11,155	11,155
Delaware	10,940	10,940	10,940
Florida	34,080	34,080	34,080
Georgia	53,195	53,195	53,195
Guam	8,620	8,620	8,620
Hawaii	11,177	11,177	11,177
Idaho	18,770	18,770	18,770
Illinois	75,047	75,047	75,047
Indiana	39,000	39,000	39,000
Iowa	72,061	72,061	72,061
Kansas	32,535	32,535	32,535
Kentucky	21,032	21,032	21,032
Louisiana	23,126	23,126	23,126
Maine	13,573	13,573	13,573
Maryland	16,505	16,505	16,505
Massachusetts	14,331	14,331	14,331
Michigan	31,916	31,916	31,916
Minnesota	48,656	48,656	48,656
Mississippi	38,171	38,171	38,171
Missouri	35,076	35,076	35,076
Montana	16,419	16,419	16,419
Nebraska	48,392	48,392	48,392
Nevada	9,744	9,744	9,744
New Hampshire	9,552	9,552	9,552
New Jersey	14,796	14,796	14,796
New Mexico	11,847	11,847	11,847
New York	29,003	29,003	29,003
North Carolina	43,402	43,402	43,402
North Dakota	20,430	20,430	20,430
Ohio	39,700	39,700	39,700
Oklahoma	26,461	26,461	26,461
Oregon	20,264	20,264	20,264
Pennsylvania	24,268	24,268	24,268
Puerto Rico	8,519	8,519	8,519
Rhode Island	10,400	10,400	10,400
South Carolina	25,400	25,400	25,400
South Dakota	19,430	19,430	19,430
Tennessee	22,795	22,795	22,795
Texas	73,493	73,493	73,493
Utah	11,519	11,519	11,519
Vermont	10,193	10,193	10,193
Virgin Islands	8,987	8,987	8,987
Virginia	22,933	22,933	22,933
Washington	26,116	26,116	26,116
West Virginia	11,408	11,408	11,408
Wisconsin	33,276	33,276	33,276
Wyoming	10,774	10,774	10,774
Subtotal	1,409,000	1,409,000	1,409,000
Special Projects	224,000	224,000	--
Undistributed	--	--	1,171,000
Total	1,633,000	1,633,000	2,580,000

TABLE 18
 APPROPRIATION FOR PAYMENTS TO STATES
 FOOD AND NUTRITION EDUCATION, FY 1988 - 1990

Smith-Lever Act: Section 3 (d)	FY 1988	FY-1989	Total Proposed FY-1990
Alabama	\$1,909,987	\$1,909,987	\$722,752
Alaska	167,319	167,319	61,792
American Samoa	58,834	58,834	--
Arizona	540,929	540,929	197,872
Arkansas	1,217,178	1,217,178	460,313
California	3,176,441	3,176,441	1,130,993
Colorado	536,142	536,142	195,929
Connecticut	437,352	437,352	437,352
Delaware	214,036	214,036	79,289
Florida	1,962,548	1,962,548	720,809
Georgia	2,078,891	2,078,891	786,905
Guam	58,980	58,980	--
Hawaii	249,260	249,260	92,897
Idaho	282,209	282,209	104,561
Illinois	2,054,606	2,054,606	757,745
Indiana	1,161,060	1,161,060	436,985
Iowa	872,584	872,584	332,009
Kansas	669,282	669,282	250,361
Kentucky	1,604,610	1,604,610	606,113
Louisiana	1,805,330	1,805,330	672,209
Maine	406,907	406,907	153,161
Maryland	812,655	812,655	308,024
Massachusetts	935,358	935,358	343,673
Michigan	1,719,074	1,719,074	643,049
Micronesia	63,224	63,224	63,224
Minnesota	958,948	958,948	361,169
Mississippi	1,651,913	1,651,913	638,362
Missouri	1,498,087	1,498,087	563,345
Montana	286,603	286,603	106,505
Nebraska	520,090	520,090	195,929
Nevada	164,957	164,957	59,849
New Hampshire	229,893	229,893	85,121
New Jersey	1,030,817	1,030,817	374,777
New Mexico	490,213	490,213	180,377
New York	3,275,257	3,275,257	1,189,313
North Carolina	2,436,917	2,436,917	930,761
North Dakota	332,701	332,701	125,945
Ohio	2,114,874	2,114,874	778,849
Oklahoma	1,013,662	1,013,662	378,665
Oregon	474,736	474,736	172,601
Pennsylvania	2,598,069	2,598,069	973,529
Puerto Rico	1,349,553	1,349,553	425,433
Rhode Island	292,421	292,421	108,449
South Carolina	1,472,586	1,472,586	561,401
South Dakota	375,477	375,477	141,497
Tennessee	1,908,453	1,908,453	722,753
Texas	4,047,981	4,047,981	1,512,017
Utah	297,019	297,019	108,449
Vermont	226,837	226,837	85,121
Virgin Islands	58,190	58,190	--
Virginia	1,630,076	1,630,076	617,777
Washington	653,952	653,952	238,697
West Virginia	942,695	942,695	357,281
Wisconsin	922,737	922,737	343,673
Wyoming	182,087	182,087	67,625
No. Mariana Islands	57,683	57,683	--
Sub-total	58,635,000	58,635,000	21,600,000
Fed'l Admin	144,720	144,720	--
Total	58,635,000	58,635,000	21,600,000

TABLE IC
 APPROPRIATIONS FOR PAYMENTS TO THE 1890 LAND-GRANT COLLEGES
 AND TUSKEGEE UNIVERSITY

INSTITUTION	FY 1988	FY 1989	PROPOSED FY 1990
ALABAMA:			
Alabama A&M Univ.	\$957,792	\$957,792	\$1,240,216
Tuskegee University	957,792	957,792	1,240,216
ARKANSAS:			
University of Arkansas at Pine Bluff	854,233	854,233	1,120,558
DELAWARE:			
Delaware State College	315,925	315,925	405,271
FLORIDA:			
Florida A&M Univ.	770,688	770,688	1,021,199
GEORGIA:			
Fort Valley State College	1,120,609	1,120,609	1,478,221
KENTUCKY:			
Kentucky State Univ.	1,393,496	1,393,496	1,858,037
LOUISIANA:			
Southern University and A&M College	796,120	796,120	1,029,333
MARYLAND:			
University of Maryland Eastern Shore	609,787	609,787	788,593
MISSISSIPPI:			
Alcorn State Univ.	969,275	969,275	1,229,948
MISSOURI:			
Lincoln University	1,367,832	1,367,832	1,852,298
NORTH CAROLINA:			
North Carolina A&T State University	1,713,983	1,713,983	2,223,340
OKLAHOMA:			
Langston University	830,324	830,324	1,110,122
SOUTH CAROLINA:			
South Carolina State University	843,346	843,346	1,080,327
TENNESSEE:			
Tennessee State University	1,284,727	1,284,727	1,679,504
TEXAS:			
Prairie View A&M University	1,686,778	1,686,778	2,266,127
VIRGINIA:			
Virginia State University	1,086,653	1,086,653	1,416,690
Subtotal	17,559,360	17,559,360	23,040,000
Fed'l Administration	731,640	731,640	960,000
TOTAL	18,291,000	18,291,000	24,000,000

TABLE II
 APPROPRIATION FOR PAYMENTS TO STATES
 BASIS OF ALLOTMENT AND MATCHING REQUIRED
 FISCAL YEAR 1990

ITEM	TOTAL ESTIMATE 1990	ALLOTMENT	AMOUNT PAID W/O MATCHING	AMOUNT REQUIRED MATCHING
Smith-Lever Act: Sec 3b	241,594,000	56,475,091 -Fixed by Sec 3b PL 87-749	14,513,808	41,961,283
		1,544,909 -Spec'l Need	--	1,544,909
Sec 3c		(148,869,000)	6,822,760	142,046,240
		57,018,496 -farm pop.		
		57,018,496 -rural pop.		
		29,009,248 -equally & for fed'l admin. & coord. Sec 3c.1		
Federal Emp loyees Ret- irement Sys		4,000,000 -Fed'l contr.	4,000,000	--
Retirement & Employee Compensation Cost		15,252,000 -Fed'l con- tribution	15,252,000	--
Penalty Mail		15,453,000 -Reimburse- ment to Post Office	15,453,000	--
Section 3d	43,794,000	21,600,000 -EFNEP	21,600,000	--
		5,000,000 -Priority Init.	5,000,000	--
		7,164,000 -IPM	7,164,000	--
		950,000 -RD Centers	950,000	--
		6,500,000 -Water Qual.	6,500,000	--
		2,580,000 -PIA	2,580,000	--
Title XIV, Food/ Ag Act 1977, as amended, 1890 Colleges	24,000,000	(24,000,000)	24,000,000	--
		960,000 -Fed'l Admin		
		23,040,000 -To 1890 Colleges & Tuskegee		
Sec. 1416, Facilities Grants	9,508,000	(9,508,000)	9,508,000	--
		380,320 -Fed'l Admin		
		9,127,680 -To 1890 Colleges & Tuskegee		
D.C. Public Postsecondary Education Re- organization Act	953,000	(953,000)	38,120	914,880
		38,120 -Fed'l Admin		
		914,880 -To Univ. D.C.		
SUBTOTAL	319,849,000	319,849,000	133,381,688	186,467,312
Fed'l Admin	4,991,000			
Total, FY90	324,840,000			

TABLE II
 APPROPRIATION FOR PAYMENTS TO STATES
 BASIS OF ALLOTMENT AND MATCHING REQUIRED
 FISCAL YEAR 1990

ITEM	TOTAL ESTIMATE 1990	ALLOTMENT	AMOUNT PAID W/O MATCHING	AMOUNT REQUIRED MATCHING
Smith-Lever Act: Sec 3b	241,594,000	56,475,091 -Fixed by Sec 3b PL 87-749	14,513,808	41,961,283
		1,544,909 -Spec'l Need	--	1,544,909
Sec 3c		(148,869,000)	6,822,760	142,046,240
		57,018,496 -farm pop.		
		57,018,496 -rural pop.		
		29,009,248 -equally & for fed'l admin. & coord. Sec 3c.1		
Federal Emp loyees Ret- irement Sys		4,000,000 -Fed'l contr.	4,000,000	--
Retirement & Employee Compensation Cost		15,252,000 -Fed'l con- tribution	15,252,000	--
Penalty Mail		15,453,000 -Reimburse- ment to Post Office	15,453,000	--
Section 3d	43,794,000	21,600,000 -EFNEP	21,600,000	--
		5,000,000 -Priority Init.	5,000,000	--
		7,164,000 -IPM	7,164,000	--
		950,000 -RD Centers	950,000	--
		6,500,000 -Water Qual.	6,500,000	--
		2,580,000 -PIA	2,580,000	--
Title XIV, Food/ Ag Act 1977, as amended, 1890 Colleges	24,000,000	(24,000,000)	24,000,000	--
		960,000 -Fed'l Admin		
		23,040,000 -To 1890 Colleges & Tuskegee		
Sec. 1416, Facilities Grants	9,508,000	(9,508,000)	9,508,000	--
		380,320 -Fed'l Admin		
		9,127,680 -To 1890 Colleges & Tuskegee		
D.C. Public Postsecondary Education Re- organization Act	953,000	(953,000)	38,120	914,880
		38,120 -Fed'l Admin		
		914,880 -To Univ. D.C.		
SUBTOTAL	319,849,000	319,849,000	133,381,688	186,467,312
Fed'l Admin	4,991,000			
Total, FY90	324,840,000			

NATIONAL AGRICULTURAL LIBRARY

Purpose Statement

The National Agricultural Library (NAL) had its mission outlined by the Organic Act of 1862, establishing the Department of Agriculture. The act, as amended, sets forth a mission, "to acquire and to diffuse among the people of the United States useful information on subjects connected with agriculture, rural development, aquaculture and human nutrition, in the most comprehensive and general sense of the word," and placed upon the Secretary the responsibility to "Procure and preserve all information concerning agriculture, rural development, aquaculture, and human nutrition, which he can obtain by means of books..."

The NAL serves as the Nation's chief agricultural information resource. It provides agricultural information products and services through traditional library functions and through modern electronic dissemination to agencies of the USDA, public and private organizations, and individuals. The NAL coordinates a national network of public and private libraries consisting of the land-grant colleges and universities, other state supported colleges and universities with agriculturally related programs, other public organizations, industry, and other private sector organizations. The NAL provides a leadership role in U.S. participation in international agricultural library and information systems and in efforts to promote worldwide availability of agricultural information.

The NAL has as its ultimate purpose facilitating access to and use of information about agriculture and related sciences by all those who need the information. In addition to providing traditional library services such as bibliographies, reference services and document delivery to agricultural scientists and researchers, NAL is expanding its role and serving a wider audience by using modern information dissemination technology to its fullest. While the library has concentrated its thrust towards agricultural researchers, the wider audience includes Federal, State and local administrators, and agricultural extension and education personnel as well as the farmer, the small businessman, public groups at all levels, and the general public.

With approximately 1.9 million volumes of printed material on agriculture and supporting scientific disciplines, NAL has one of the largest collections of its kind in the world. Both current and historical information is collected and organized for effective utilization by a wide range of users, especially in AGRICOLA, the NAL database of 2.5 million citations to agriculture publications. The NAL also provides input of U.S. publications to AGRIS, the International Information System for the Agricultural Sciences and Technology.

The basic operations of the National Agricultural Library are located in the NAL Building at Beltsville, Maryland. Specialized services are provided from a reference center in Washington, D.C. Service is provided from both these locations as well as 18 officially designated USDA field libraries in the States and 38 smaller USDA centers containing a total of approximately a quarter of a million volumes.

As of September 30, 1988, the NAL employment was 181 permanent full time and 32 other than permanent, of which 176 permanent full time and 31 other than permanent are located in Beltsville, while the rest are located in Washington, D.C.

NATIONAL AGRICULTURAL LIBRARY

Available Funds and Staff-Years1988 Actual and Estimated, 1989 and 1990

	1988		1989		1990	
	Actual		Estimated		Estimated	
	Amount	Staff: Years:	Amount	Staff: Years:	Amount	Staff: Years:
National Agricultural Library.....	\$12,194,000	175	\$13,268,000	168	\$14,947,000	180
<u>Obligations under other USDA</u>						
<u>appropriations:</u>						
Agricultural Research Service:						
Rubber Producing Plants.....	4,000	---	---	---	---	---
Subscriptions Costs.....	4,769	---	5,000	---	5,000	---
Evaluation of Networking.....	45,000	---	---	---	---	---
Database development.....	58,400	---	---	---	---	---
Technology Transfer.....	---	---	200,000	5	---	---
Current Awareness Literature						
Service.....	558,879	1	486,964	1	486,964	1
Computer Facilities.....	63,502	---	---	---	---	---
Space Costs.....	174,559	---	163,987	---	164,000	---
NAL/ARS Library Initiatives...	255,985	---	60,000	1	60,000	1
Postage and Mail Service.....	20,007	---	20,600	---	21,000	---
Agricultural Marketing Service:						
Space Costs.....	16,967	---	15,516	---	15,600	---
Animal and Plant Health						
Inspection Service:						
Current Awareness Literature						
Service.....	21,604	---	20,207	---	20,207	---
Translation Service.....	1,230	---	1,000	---	1,000	---
Animal Welfare Costs.....	750,000	6	200,000	5	---	---
Cooperative State Research						
Service:						
Support for Aquaculture Inf. Ct:	24,542	---	15,000	---	15,000	---
Translation.....	9,238	---	9,000	---	9,000	---
Postage and Mail Service	7,191	---	7,200	---	7,200	---
Space.....	20,454	---	19,101	---	19,200	---
Aquaculture Library Services..	34,208	1	34,208	1	34,208	1
Rubber Product Plants.....	4,000	---	---	---	---	---
Alternative Farming Info. Ct.	100,000	2	100,000	2	100,000	2
Extension Service:						
Current Awareness Literature						
Service.....	15,190	1	12,475	1	12,475	1
Rural Information Center.....	220,000	1	---	---	---	---
Youth 4-H Information Center..	21,208	1	100,000	3	100,000	3
Extension Support.....	2,500	---	---	---	---	---
Economic Research Service:						
Current Awareness Literature						
Service.....	2,471	---	---	---	---	---
Translation Service.....	890	---	1,000	---	1,000	---
Forest Service:						
Project and Fees.....	548	---	600	---	600	---
Current Awareness Literature						
Service.....	8,623	---	7,481	---	7,481	---
Translation Service.....	1,902	---	2,000	---	2,000	---
Indexing Service.....	23,209	1	33,970	1	35,000	1
Photo Collection.....	43,929	1	45,000	1	45,000	1
Food Safety and Inspection Ser.:						
Current Awareness Literature						
Service.....	3,196	---	3,649	---	3,649	---
Translation Service.....	401	---	500	---	500	---
Food Irradiation Database.....	24,200	---	25,000	---	25,000	---

NATIONAL AGRICULTURAL LIBRARY

Available Funds and Staff-Years1988 Actual and Estimated, 1989 and 1990

	1988		1989		1990	
	<u>Actual</u>		<u>Estimated</u>		<u>Estimated</u>	
	Amount	Staff: Years	Amount	Staff: Years	Amount	Staff: Years
Food and Nutrition Service:						
Lending Services.....	110,000	---	110,000	---	110,000	---
Human Nutrition Information						
Service:						
Current Awareness Literature						
Service.....	6,821	---	6,064	---	6,064	---
Office of International						
Cooperation & Development:						
Aquaculture Support			18,907	1	---	---
Current Awareness Literature						
Service.....	7,535	---	5,856	---	5,856	---
Soil Conservation Service:						
Current Awareness Literature						
Service.....						
Translation Service.....	415	---	500	---	500	---
Miscellaneous Activities.....	167,918	---	239,215	---	656,496	---
Total Other USDA						
Appropriations.....	2,624,398	15	1,970,000	22	1,970,000	11
Total Agricultural						
Appropriations.....	14,821,158	190	15,238,000	190	16,917,000	191
Other Federal Funds						
Department of Commerce, NTIS:						
Sale of Photocopies.....	25,602	---	30,000	---	30,000	---
Other Federal Funds.....	25,602	---	30,000	---	30,000	---
Total, NAL.....	14,844,000	190	15,268,000	190	16,947,000	191
Full-Time Equivalent Staff-Years:	1988		1989		1990	
	<u>Actual</u>		<u>Estimated</u>		<u>Estimated</u>	
Ceiling.....	190		190		191	
Non-Ceiling.....	<u>10</u>		<u>11</u>		<u>11</u>	
Total	<u>200</u>		<u>201</u>		<u>202</u>	

UNITED STATES DEPARTMENT OF AGRICULTURE

NATIONAL AGRICULTURAL LIBRARY

PERMANENT POSITIONS BY GRADE AND STAFF-YEAR SUMMARY

1988 and Estimated 1989 and 1990

GRADE	1987 HEADQUARTERS	1988 HEADQUARTERS	1989 HEADQUARTERS
ES-5	1	1	1
GS/GM-15	4	4	4
GS/GM-14	3	3	3
GS-GM-13	21	21	21
GS-12	36	36	37
GS-11	22	22	22
GS-9	4	4	4
GS-8	4	4	4
GS-7	29	29	29
GS-6	30	30	30
GS-5	15	15	15
GS-4	12	12	12
GS-3	1	1	1
Total, Permanent Positions	182	182	183
Staff-Years:			
Ceiling	190	190	191
Non-Ceiling	10	11	11
Total, Staff Years.....	200	201	202

NATIONAL AGRICULTURAL LIBRARY

CLASSIFICATION BY OBJECTS1988 and Estimated 1989 and 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Personnel Compensation			
Headquarters.....	\$5,288,862	\$5,503,000	\$6,000,000
11 Total Personnel Compensation.....	5,288,862	5,503,000	6,000,000
12 Personnel Benefits	763,115	828,000	910,000
13 Benefits for Former Personnel.....	<u>4,559</u>	<u>---</u>	<u>---</u>
Total Pers. Comp. & Benefits.....	<u>6,056,536</u>	<u>6,331,000</u>	<u>6,910,000</u>
Other Objects:			
21 Travel.....	80,317	86,000	93,000
22 Transportation of things.....	5,779	10,000	18,000
23 Communications, utilities and other rent.....	748,888	800,000	850,000
24 Printing and reproduction.....	113,620	135,000	160,000
25 Other services.....	2,446,832	2,923,000	4,016,000
26 Supplies and materials.....	1,465,191	1,800,000	2,000,000
31 Equipment.....	839,955	850,000	900,000
41 Grants.....	<u>333,000</u>	<u>333,000</u>	<u>---</u>
Total Other Objects	<u>6,033,582</u>	<u>6,937,000</u>	<u>8,037,000</u>
Total Direct Obligations	<u>12,090,118</u>	<u>13,268,000</u>	<u>14,947,000</u>
<u>Position Data:</u>			
Average Salary, ES positions	\$75,500	\$77,821	\$78,595
Average Salary, GS/GM positions	\$28,680	\$29,865	\$30,462
Average Grade GS/GM positions	8.69	8.69	8.69

NATIONAL AGRICULTURAL LIBRARY

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

National Agricultural Library

For necessary expenses of the National Agricultural Library, [~~\$13,268,000~~ \$14,947,000]: Provided, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$35,000 shall be available for employment under 5 U.S.C. 3109: Provided further, that not to exceed
1 [~~775,000~~ \$675,000] shall be available pursuant to 7 U.S.C. 2250 for the
2 alteration and repair of buildings and improvements: [Provided further, that \$370,000 shall be available for a grant pursuant to section 1432 of the National Agricultural Research, Extension and Teaching Policy Act of 1977 (7 U.S.C. 3318)]

The first change changes the cost limitation for repairs and alterations to the NAL building. In FY 1989, NAL estimates it will spend around \$704,000, which includes \$404,000 for the removal of transformers and chillers and \$300,000 for on-going maintenance. Even though NAL estimates it will spend around \$300,000 for FY 1990, NAL requests that the limit be set at \$675,000 in the event unforeseen repairs and maintenance are required.

The second change deletes language providing funds in FY 1989 to the Leflar School of Law, University of Arkansas, Fayetteville, Arkansas by means of a grant.

NATIONAL AGRICULTURAL LIBRARY

Appropriation Act, 1989.....	\$13,268,000
Budget Estimate, 1990.....	<u>14,947,000</u>
Increase in Appropriation.....	<u>+1,679,000</u>

SUMMARY OF INCREASES
(On basis of appropriation)

<u>Items of Change</u>	<u>1989 Estimated</u>	<u>Program Changes</u>	<u>1990 Estimated</u>
Water Quality and Quantity Information Center.....	- -	+\$250,000	\$250,000
Biotechnology Information Center.....	\$ 57,000	+100,000	157,000
Library Materials.....	1,352,200	+250,000	1,602,200
Networking and Training.....	36,695	+277,000	313,695
Capital Development:			
Binding.....	80,000	+250,000	330,000
Feasibility Study.....	- -	+125,000	125,000
Leflar School of Law, University of Arkansas.....	370,000	-370,000	- -
Removal of Transformers and Chillers.....	404,000	-404,000	- -
Rural Information Center.....	52,000	+173,000	225,000
Technology Transfer Information Center.....	52,000	+173,000	225,000
Animal Welfare Information Center.....	173,000	+577,000	750,000
All Other.....	<u>10,691,105</u>	<u>+278,000</u>	<u>10,969,105</u>
Total Available.....	<u>13,268,000</u>	<u>+1,679,000</u>	<u>14,947,000</u>

PROJECT STATEMENT
(On basis of appropriation)

PROJECT	1988 Actual		1989 Estimated		Increase	1990 Estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
1. Agricultural Library	:	:	:	:	:	:	:
Services for Research	:	:	:	:	(1):	:	:
and Education.....	\$11,790,118:	175	\$12,564,000:	168	+\$2,083,000:	\$14,647,000:	180
2. Repair and Maintenance	:	:	:	:	(2):	:	:
of Facilities.....	300,000:	---	704,000:	---	-404,000:	300,000:	---
Unobligated Balance.....	103,882:	---	---	---	---	---	---
Total available or estimate:	<u>12,194,000:</u>	<u>175</u>	<u>13,268,000:</u>	<u>168</u>	<u>+1,679,000:</u>	<u>14,947,000:</u>	<u>180</u>
Total Appropriation.....	<u>12,194,000:</u>	<u>175</u>	<u>13,268,000:</u>	<u>168</u>			

EXPLANATION OF PROGRAMS

The basic function of the National Agricultural Library (NAL) is to identify, acquire, disseminate, and deliver pertinent food and agriculture information to all scientists, researchers, administrators, and others working in agricultural fields in both the government and private sectors. To meet user needs, the NAL is working with libraries at Land-grant universities and other institutions to develop a network to enhance access to information. NAL also maintains an extensive collection of agricultural publications and provides access to these publications through AGRICOLA, its' master bibliographic database. The NAL also provides current awareness and retrospective searches on worldwide agricultural literature through other computer-based systems of interest to agricultural scientists and educators.

One essential NAL program involves advanced information technologies. The NAL has intensified its efforts to enhance and expand its information-providing capabilities by testing the exciting possibilities of the new technology, including computer-based video technology, both often coupled with recently developed optical scanning and developing laser technology, and artificial intelligence software. The NAL staff strive to identify and evaluate these advanced technologies to determine their potential for improving agricultural information access and use. As these advanced technologies are applied to specific projects, NAL works to transfer their use to other agricultural organizations, which could benefit from their adoption. Such technologies have great potential for making information more widely available in a more timely way and in greater depth than ever before. By using advanced information technology, NAL will be better able to promote the organization and availability of agricultural information to the national and international agricultural communities.

The NAL serves a dual role as the primary literature source for the American agricultural community and as a national authority among libraries and information centers here and abroad. As part of its responsibility for processing of agricultural serials, the NAL recently became a self-authenticating member of the Cooperative Online Serials (CONSER) Project coordinated by the Library of Congress. NAL also has obtained independent status in the Library of Congress' National Coordinated Cataloging Operations (NACO) project to build a national name authority file for publications. The NAL also is cooperating with the National Library of Medicine on sharing collection responsibilities for veterinary science, human nutrition, literature, and biotechnology.

The NAL engages in a wide range of international activities relating to worldwide collection and dissemination of information on agriculture and related subjects. Its AGRICOLA database is accessible online in 30 foreign nations. The Library is the designated U.S. center for AGRIS, the international agricultural information system of the United Nations' Food and Agricultural Organization (FAO) and provides essential support to the FAO's Aquatic Science and Fisheries Information System (ASFIS). Under an arrangement with the Commonwealth Agricultural Bureaux (CABI), the NAL is augmenting and updating the CAB Thesaurus, an agricultural vocabulary. Jointly with CABI, NAL is producing a World List of Agricultural Serials which will be published by CABI in 1989. With NAL encouragement, including greater personal and institutional contacts, the exchange of agricultural information with both the Peoples' Republic of China and the Soviet Union has expanded significantly. NAL also encourages countries to index more of the publications originating in their own country as NAL concentrates its resources on indexing U.S. literature.

NAL conducts a national education and training program designed to inform actual and potential users about NAL operations, resources, and services. NAL offers workshops and demonstrations in cooperation with agricultural institutions, professional and trade organizations across the country. The emphasis in this program is on the use of online bibliographic files and other computer services. A newly developed interactive video disc is expected to expand training capabilities both in this country and internationally. Briefings, tours and exhibits are provided for domestic and foreign visitors to the NAL.

The NAL is developing network plans in a systematic fashion while seizing opportunities for specific cooperative projects which can eventually be lined to serve as the framework for the broad network. One of these cooperative

activities is the Aquaculture Library Network, created under the leadership of the NAL to support four Regional Aquaculture Centers. The Network members seek to provide an information linkage between the extension and research development which will take place within each region. In another cooperative activity, coordinating the development of conspectuses and collection coverage in the field of agriculture, NAL has negotiated an agreement with the National Library of Medicine in the fields of veterinary science and nutrition and currently is negotiating biotechnology and animal welfare. These agreements assure complete coverage in these fields while avoiding unnecessary duplication of resources. Several new cooperative projects are underway relating to new information technology. With the continuing implementation of ISIS, NAL's integrated library system, a project is underway to provide online dial-up access to the AGRICOLA database at NAL to the Agricultural Research Service (ARS) regional libraries. NAL and Extension Service are working jointly to develop a CD-ROM product containing a variety of agricultural information aimed at the state extension worker. NAL is working with ARS research staff to produce a CD-ROM on fungi. Through joint efforts of the agricultural community and NAL, an agricultural libraries information network is being formed.

NAL is also networking with the USDA Office of Governmental and Public Affairs and several other USDA agencies to place the centralized USDA files of current and historic photographs as well as photo collections of other USDA agencies on laser videodisk. The project serves to increase access to the collections by a wide audience and to improve productivity in the management of the collections.

Agricultural Library Forum (ALF) is NAL's new micro-computer-based bulletin board system providing around the clock electronic access to information about NAL products and services and serving as a focal point for networking activities among those who dispense and use agricultural information. ALF is open to all those interested in exchanging ideas, sharing resources, and seeking advice or assistance on agricultural library and information issues. Bulletin board technology provides a way of increasing services to library users, improving communication channels among information users, and expanding public access to libraries beyond geographic boundaries and normal operating hours.

Acquisitions of agricultural materials from 150 countries and in more than 30 languages continues to be a major activity in carrying out the mission of the library components of NAL. Translations of publications are now available to Library users. Other primary activities for fiscal years 1988, 1989, and 1990 are as follows:

<u>Types of Activities</u>	<u>Estimated Productivity</u>		
	<u>FY 1988 Actual</u>	<u>FY 1989 Estimate</u>	<u>FY 1990 Estimate</u>
Serial Issues Added	142,709	165,000	166,000
Number of Titles Cataloged	22,729	23,000	23,500
Articles Indexed	88,599	90,000	95,000
Pages Preserved	1,661,000	1,712,000	8,235,000
Document Requests Filled	195,352	224,655	248,353
Reference Inquiries Answered	27,156	28,514	29,968
Automated Searches Conducted	5,849	6,141	6,448
Current Awareness (CALS) Searches	98,110	107,921	118,713
Current Awareness (CALS) Profiles by all databases	17,588	19,347	20,310

A major function of the bibliographic program is organization of materials for use of researchers and announcement of newly published research to the agricultural community. This includes cataloging books and journals acquired for the collection, and indexing journal articles, conference proceedings, and reports selected for their importance to agricultural research and education. Resources of the collection are made available through direct loan, interlibrary loan of books and photocopy of journals articles. Requests for documents from USDA field employees are handled locally in 37 States in cooperation with land-grant university libraries whenever possible, with the NAL serving as a backup for document delivery.

In response to increasing demand for technical information on agriculture, the NAL continues to expand its collection development and information access programs through coordination of holdings with and among land-grant universities and through international exchange programs with foreign governments, universities, and research centers. It initiates and implements cooperative indexing and cataloging projects with public and private institutions and strengthens agricultural library and information activities nationally through development and adoption of standardized formats and processing procedures essential for national networking.

The NAL must also provide for collection preservation. This includes the microfilming and restoring of important documents, unbound serial issues, newspapers, and historical materials. In the past NAL supported a nationwide project to assist in microfilming documents of all land-grant institutions, especially the bulletins, circulars, reports, and other miscellaneous publications of the State agricultural experiment stations and agricultural extension services. A promising alternative to microfilming is the full-text digitizing technology. The emphasis in preservation will possibly move in that direction in the future. The preserved collection is both a valuable research tool for a wide variety of subjects and a practical reference resource for the farmer and the lay public. A comprehensive preservation planning program study has been initiated to investigate all aspects of preservation activity at NAL from physical and environmental conditions of the collection to disaster control, staff and user education, and inter-institutional cooperation. The ultimate purpose of the study is to develop and implement an effective program for ensuring the availability of important agricultural information for future generations of researchers and other users.

Work continues on the National Agricultural Text Digitizing Project, a cooperative project undertaken by NAL and 42 land-grant libraries to test new methods of capturing and disseminating full text information. Viewed as an alternative method for preserving library collections while providing greater access to unique materials, this project is about to issue the first of five CD-ROM products to the participants for evaluation.

In an effort to improve services in particular subject areas, the NAL has established specialized information centers to provide enhanced services to current clientele as well as to develop new service relationships with the public and private sectors. The purpose of the centers is to focus or concentrate activities in the areas of great interest to the Department of Agriculture, the agricultural community throughout the Nation, and the public. NAL is able to take a proactive approach that involves a heavy emphasis on outreach and networking activities. In addition, information center staff concentrate their efforts on strengthening the NAL collection and developing information products. Information centers have a diverse audience. While agricultural researchers have been a traditional primary audience for NAL, information center clientele also include educators, consumers, and the private sector to a greater degree. Currently, NAL has information centers on Agricultural Trade and Marketing; Alternative Farming Systems (Low Input/Sustainable Agriculture; Animal Welfare; Aquaculture; Biotechnology; Critical Agricultural Materials; Family; Fiber and Textiles; Food and Nutrition; Food Irradiation; Horticulture; Rural and Youth Development.

Justification of Increases

(1) A net increase of \$2,083,000 consisting of:

- (a) An increase of \$250,000 to create a Water Quality and Quantity Information Center (No funding available in FY 1989.)

Need for Change.

Increased research and extension activities in the area of water quality and quantity dictate the need for NAL to more fully develop a capability to service the information needs of scientists and others.

Funding in the amount of \$250,000 and 1 FTE is needed to establish a Water Quality and Quantity Information Center as a part of the government-wide water quality initiative proposed for FY 1990. The availability and purity of water is a worldwide concern. This proposal will provide the Center with the ability to anticipate and quickly meet information needs on water quality, acid rain, and use of pesticides and chemicals as they affect water quality.

Nature of Change.

The Center will coordinate information on water quality and quantity and operate with a small staff responsible for developing non-bibliographic databases, managing collection development in the subject area and developing advanced technology information products to assure the availability of accurate, up-to-date information to researchers, extension and general public. Work of the Center will be closely coordinated with activities of the other agencies involved in the government-wide water quality program.

- (b) An increase of \$100,000 to Strengthen NAL's Biotechnology Information Center (\$57,000 available in FY 1989.)

Need for Change.

Biotechnology is of importance to the agricultural scientific community and is one of the highest priorities in USDA's research and regulatory programs. Since NAL must ensure an adequate and comprehensive collection and support services for basic research, risk assessment, and ethical and regulatory issues, an expansion of the present Biotechnology Information Center is proposed.

Nature of Change.

The proposed increase of \$100,000 will be used to enhance NAL's biotechnology collection; support an information and referral service, outreach activities and the development of information products such as bibliographies and fact sheets; encourage networking with national and international organizations, and private industry; support cooperation with the National Biotechnology Information Center of the National Library of Medicine; and promote utilization of NAL's electronic bulletin board to disseminate biotechnology information in cooperation with organizations such as the North Carolina Biotechnology Center.

- (c) An increase of \$250,000 to provide funding for Library Materials (\$1,352,200 available in FY 1989.)

Need for Change.

Rising costs and currency fluctuations have eroded NAL's ability to maintain a collection of library resources to satisfy the user needs. These factors have also affected NAL's ability to serve as a national information service with world wide coverage of vital agricultural and scientific information.

Cost increases have affected NAL's ability to procure journal literature, the price of which has escalated by as much as 125% over the past decade. Foreign titles have increased in price by approximately 172% over the same period. As a scientific and

technical information library on agricultural information, NAL has been especially hard hit because the prices of science journals have increased more rapidly than those in other disciplines. From 1986 to 1987, the average price of a humanities title increased 11.7%. The average price of a social science title increased 10.4%, while the average price for science titles increased 17.1%. Furthermore, in recent years, many publishers have imposed extremely high differential rates for library subscriptions as opposed to those for individuals. To cope with the spiraling costs of vital library materials, NAL has cancelled serial subscriptions and curtailed other purchasing programs. These necessary steps decrease world wide coverage of important agricultural developments, delay document delivery to users since borrowing from other libraries must occur, increase risk of copyright infringement, and increase user frustration.

Nature of Change.

These funds will provide NAL with the ability to procure library resources necessary for use by the agriculture community.

- (d) An increase of \$277,000 to Expand Networking and Related Training (\$36,695 available in FY 1989.)

Need for Change.

Rapid access to information is crucial to scientific research. New technologies that manage the retrieval, delivery, storage, and processing of information have made it possible for the library and user to have faster, more sophisticated and more cost-effective access to information. Information services in support of research and technology transfer need to be at the forefront of technology to keep U. S. agriculture competitive. It is essential that NAL utilize the most advanced and improved information delivery systems and services to the agricultural scientific community.

NAL must expand and improve the national agricultural information network by: building of long term electronic linkages and gateway systems to information resources; enhancing user access to information; reducing unnecessary duplication of processing of materials and other library functions, increasing resource sharing in cooperation with ARS and other agricultural libraries; and improving usefulness of the AGRICOLA database to scientists. NAL will continue to work cooperatively with representatives from the 1862 and 1890 land-grant university libraries to plan, develop and operate a network that will provide agricultural information to the user expeditiously.

Nature of Change.

Funds proposed are required to develop and implement a coordinated plan which will serve as a framework for the establishment and continuing coordination of specific cooperative projects having a bilateral and multi-lateral impact, and to initiate certain network programs.

NAL will also provide the infrastructure and support for network meetings, and strengthen cooperative development of network services and the specialized collections on which they are based. Other cooperative programs in research and development of useful information technologies will be encouraged. NAL will also provide the training necessary to implement and maintain appropriate services throughout.

This will build on existing cooperative efforts, such as the project involving over 40 Land-Grant libraries that create bibliographic records of their state agricultural publications for the AGRICOLA database. This NAL-Land-Grant state publications project is one in which institutions cooperate in the acquisition, cataloging, indexing and provision of document delivery of state agricultural publications. As a result, many state publications that previously were not available can be searched and used by the world. In

addition, NAL can turn resources previously used to catalog state publications to the cataloging of other U.S. documents.

Another very significant cooperative effort within this area is the joint text digitizing project where 44 Land-Grant Universities have joined with NAL to plan and fund a 2-year project to digitize library materials for patrons use and for preservation.

In support of ARS, NAL will develop an information network for ARS field libraries, and users at ARS field stations without libraries. The network structure will be state-of the-art, cost effective, and more fully integrated with the resources of the NAL and the agricultural information network. This initiative will use advanced and improved information delivery systems and services to ARS scientists, avoiding costly duplication of collections in ARS, and assisting NAL to keep abreast of key user needs.

NAL must increase its educational assistance to its users, its staff, and other libraries, using up-to-date instructional technology to extend its reach. Because of the rapidity of change in library and information service methodologies and technologies, continuing education in agricultural librarianship is essential to maintain effective network programs.

- (e) An increase of \$375,000 for Capital Development (\$80,000 available in FY 1989):

Need for Change.

NAL houses the largest collections of agricultural information in the world. These collections are the information "capital" of the agricultural research and education community. Any funds acquired by NAL as a result of adoption of recommendations stemming from the comprehensive study proposed herein would be used for Capital Development over and above operating funds, and utilized for the preservation and protection of the two million volumes in the library collection that provide an irreplaceable resource for the USDA, the nation, and the international agricultural scientific communities. Also, NAL has a collection of unique library items comprised of original manuscripts, archival material, rare books, photo collection images, slides, maps, posters, botanical art, audiovisual material, oral histories, and one of the largest nursery and seed trade catalog collections in the world. These materials require special equipment to house and preserve them and make them widely and readily accessible. For the protection of this "capital" investment there are numerous areas that need attention that would contribute to improvements in the protection and preservation of this valuable collection.

This national treasure is now literally crumbling on the shelves. The high acid content in paper made during the past hundred years, coupled with the increased levels of pollutants in the air, is causing a significant acceleration in the rate of deterioration of printed materials. Fluctuating temperature and humidity also contribute to the damage of these library materials.

The present NAL facility has space to store about 4 more years of materials before the crowding of the materials will affect the functioning of the library. At that time, NAL must either acquire additional space or have implemented new technologies that will condense present library collections to manageable proportions. Compact shelving equipment for improving space use and in protecting and preserving our information "capital" will be one area of importance.

A 2-year National Agricultural Text Digitizing Project (NATDP) study undertaken jointly by NAL and 44 land-grant universities will conclude in 1989. The study was successful in proving another method of preserving library materials is available. Implementation of the technology will begin in late FY 1989. Under this project, a

prototype system is being developed to capture full-text and images in digital form for publication through media such as CD-ROM (compact disc-read only memory) discs. An optical scanner will create bit-mapped page images from printed books, journals, and other published references. A "conversion engine" then converts the textual portion of the pages' images into standard machine-readable code. A large number of pages of text and images can then be stored on optical discs for preservation and access. This miniaturization of library materials is an important aspect of space utilization.

Recent advances in optical disc technology have increased the projected life span of data on a disc to 100 years, far longer than that of acidic paper. Machine-readable storage of materials offers one additional benefit that is not available through traditional storage media such as paper and microfilm -- access. Points of access for a microfilm collection are usually restricted to author, title, and a few keywords relating to content. Machine-readable documents can be searched by any word or combination of words anywhere in the document. Searches can also be restricted to avoid retrieving inappropriate documents, and the researcher can immediately be shown the exact portion of text sought, without having to page through large, cumbersome printed volumes, boxes of paper, or rolls of microfilm.

In addition to the development of optical disk technology, NAL is participating in the Association of Research Libraries' (ARL) sponsored Preservation Planning Program, and self study-consulting program administered by the ARL's Office of Management Studies. The study team is charged with the responsibility of developing a plan for preservation activities with practical objectives for the next 5 years. Initial implementation of the study plan will take place in FY 1990, addressing critical factors of environment and physical conditions of the collection, and disaster control.

When the NAL building was constructed in 1962, a fire detection and suppression system was not installed. This is an area of extreme importance and concern to the protection of the library collection as well as NAL personnel, contract personnel, and other occupants in the 14 story complex. The installation of an adequate fire suppression system is a very large investment. NAL proposes to address this over a period of years.

The Library of Congress has taken a lead role in the development of facilities for mass deacidification of paper materials. By this means, the paper in hundreds of books can be acid-neutralized in a relatively brief period of time and for a nominal cost. The longevity of books will be greatly increased and the knowledge contained therein will last for hundreds of years with this treatment. The Library of Congress will extend this capability to NAL by 1990 to share these deacidification facilities.

Nature of Change.

Specific areas that are proposed for increases are:

--Binding--\$250,000 (\$80,000 available in FY 1989):

NAL has a binding need of about \$250,000 annually to take care of current materials. There has not been adequate funding for binding materials for about 10 years. These funds will be used to establish a base to cover these annual costs. A backlog of about \$2.0 million worth of binding costs has built up.

--Study of Capital Requirements--\$125,000 (\$0 available in FY 1989):

Funds are proposed for conducting a comprehensive study of Capital requirements including building and fixed equipment needs; an assessment of current conditions, scope of requirements and an appropriate schedule and priority ranking for completion. This study will consider the opportunities to share services with other libraries, which will arise through development of the network, as a means of addressing certain needs. The foregoing subjects are a few of the areas that will be included in this study.

- (f) An increase of \$173,000 to establish the Technology Transfer Information Center (\$52,000 available in FY 1989).

Need for change.

The National Agricultural Library (NAL) serves as the Nation's primary agricultural information resource. The ultimate purpose is to facilitate access to and use of information about agriculture and related sciences by all those who need the information. Since NAL is the focal point for agricultural information, it must also expand its role to serve a wider audience to disseminate agricultural information that promotes technology advances, to Federal, State, and local administrations, agricultural businessman, public groups, and the general public.

Nature of Change.

Through a project jointly sponsored by the National Agricultural Library (NAL), the Extension Service (ES), and the Agricultural Research Service (ARS) an integrated information dissemination system is proposed to expedite technology transfer. The system will provide the overall umbrella under which specific subject areas are addressed. The specific objectives of this system are: (a) rapidly responding to agriculture/environment issues; (b) developing, linking, and accessing databases on these issues; (c) identifying emerging issues of concerns to be addressed; and (d) providing users with access to on-line computer and hot line services that would help them: (1) identify and evaluate alternatives and apply problem-solving and decision-making aids and (2) identify and seek out ongoing research/demonstrations and sources of expertise for further assistance.

With the ever increasing volume of information and knowledge on agricultural subjects, and the development and application of new technologies that help access these vast amounts of materials, NAL will establish a structured Center dealing with technology transfer to those businesses and individuals who need such data. This center will encourage incorporation of this emphasis in existing and new information centers and utilize their subject expertise.

- (g) An increase of \$173,000 to establish the Rural Information Center (\$52,000 available in FY 1989).

Need for Change.

To maintain the vitality of rural America, there is a need to address several critical issues. They are: (1) The economic competitiveness of rural areas is diminishing; (2) Rural communities are dependent on too few new sources of income; (3) Services demands on local governments and community organizations are growing while attendant resources are diminishing; (4) Rural families and communities are having difficulty adjusting to the impact of present economics, and social change on rural life; (5) Rural revitalization is dependent on skilled community leadership; and (6) The quality of the natural resource base is critical to revitalizing rural communities.

Nature of Change.

The first subject area that the proposed technology transfer system would be applied to is Rural Revitalization. In conjunction with ES and ARS, an Information Center will be established to provide rural community officials, farmers, researchers, extension specialists, and educators with up-to-date answers from published materials in a single phone call. The Center will function as a clearing house for information with an 800 "hot line" telephone number. Advanced technologies will be utilized by NAL, and to the extent possible, promoted within the total agricultural information network. Expert systems have proved valuable tools in other NAL information centers, they will be developed and expanded to assist the Center staff to focus on questions and answers. The NAL resources in this subject area will be enhanced as necessary, including materials in books and periodicals, tapes, databases, etc. Regularly scheduled outreach

activities such as presentation to selected audiences, attendance at professional meetings, exhibits, demonstrations of new technology will all be a part of the Center's activities. Also, to be directories of experts, institutions, associations, and current research, as well as bibliographies and guides to the literature. The efforts serve to provide a link between specific user groups, or individual needs and the vast resources to which NAL has access, including those located outside NAL.

- (h) An increase of \$577,000 to establish the Animal Welfare Information Center (\$173,000 in FY 1989).

Need for Change.

The Animal Welfare Act established within NAL an Animal Welfare Information Center which provides information on available alternatives to the use of live animals in research and information that will be helpful in avoiding duplication of research.

Nature of Change.

The proposed amount will provide NAL the ability to fully establish an Animal Welfare Information Center. NAL will acquire training materials and other relevant documents as well as indexing journal articles for database systems. These database systems provide the user with up-to-date information on research and other scientific material. NAL will develop directions, resource guides, and bibliographies to meet the requirements of the Animal Welfare Act.

- (i) A decrease of \$270,000 for the Leflar School of Law, University of Arkansas (\$370,000 available in FY 1989).

Need for Change.

The funds provided for the establishment of a Agricultural law library in the Leflar School of Law, at the University of Arkansas. The grant was made in FY 1989 and is no longer supported.

Nature of Change.

Continued funding is not supported in the FY 1990 budget.

- (j) An increase of \$278,000 to provide for General Increased Operating Expenses for Library Supplies and materials, database services and Equipment (\$10,691,105 available in FY 1989.)

Need for Change.

The National Agricultural Library serves as the Nation's chief agricultural information resource. NAL's mission is to "procure and preserve all information concerning agriculture, rural development, aquaculture, and human nutrition, which he can obtain by books." With approximately two million volumes of printed material on agriculture and supporting scientific disciplines, NAL has one of the largest collections of its kind in the world. Both current and historical information is collected for effective utilization by a wide range of users. The NAL serves as the primary literature source for the American agricultural community and as a national authority among libraries and information centers.

Because of the devaluation of the U.S. dollar, the ability of all North American libraries to purchase foreign monographs and journals on agriculture related matter has been adversely affected. The effects on NAL are no exception. Costs to obtain these important foreign articles have increased the last few years by approximately 20-25 percent each year. In addition, domestic serials, titles, and monographs have increased in cost by approximately 8-10 percent over the last few years.

Increase in database costs are caused in part by increases in searching costs and in part by increased usage. As NAL establishes more information centers, such as those for Rural Development and Agricultural Trade and Marketing, to support the information needs of

the agricultural community, the result is more database usage. Searching online databases is one of the most effective approaches to identify information resources. Such usage is critical to the NAL mission of timely and effective information delivery to the agricultural community.

NAL has a commitment to deliver information to the agricultural community as effectively as possible. Various projects utilizing laser storage technologies, microcomputers and online systems have shown significant improvements in information access over more traditional methods. However, specialized equipment is necessary to use these new technologies. In order to enable NAL to use these new methods most effectively significant increase in equipment. Microcomputers with modems offer the facility to search remote databases and then manipulate data locally. The attachment of a CD-ROM player allows access to millions of characters of data on laser storage technologies. These are critical tools to enable NAL to move into the new electronic information age.

Nature of Change.

This increase for FY 1990 will assist NAL in acquiring library supplies and materials to maintain current literature on agriculturally related subjects for users of such data. In addition, this funding will help offset the rising costs associated with acquiring advanced technology type equipment to better serve the library user as well as the costs related to increased database usage and services.

- (2) A Decrease of \$404,000 for one-time cost of removal and replacement of transformers and chillers (\$704,000) available in FY 1989).

Need for Change.

The removal of the transformers and chillers funded in FY 1989 will be completed and \$404,000 appropriated for this purpose will no longer be needed.

Nature of Change.

These funds are proposed as a decrease to the needs of the Library in FY 1990. The funds for the removal and replacement of the transformers and chillers were provided for non-recurring facility construction activities in FY 1989 and will not be required in FY 1990.

NATIONAL AGRICULTURAL LIBRARY
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 and Estimated 1989 and 1990

	<u>1988</u>		<u>1989</u>		<u>1990</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
District of Columbia...\$	157,056	5	173,387	6	181,002	6
Maryland.....	11,933,062	170	13,094,613	162	14,765,998	174
Total, Available or Estimate.....	12,090,118	175	13,268,000	168	14,947,000	180

SOIL CONSERVATION SERVICE

Purpose Statement

The Soil Conservation Service (SCS) was established pursuant to Public Law 74-46, known as the Act of April 27, 1935, (16 U.S.C. 590a-590f). Technical programs are carried out in cooperation with conservation districts and other sponsoring local organizations. SCS provides technology transfer through soil conservation districts to landusers, communities, watershed groups, Federal and State agencies, and other cooperators with erosion control and water management problems to bring about needed land treatments and physical adjustments in land use. The purpose is to improve and conserve soil and water resource quantity and quality, improve agriculture, and reduce damage caused by floods and sedimentation.

The Soil Conservation Service has general responsibility for administration of the following programs of the Department of Agriculture:

Conservation Operations is authorized by Public Law 74-46, (16 U.S.C. 590a-590f). Activities include:

1. Conservation technical assistance provided to district cooperators and other landusers in the planning and application of conservation treatments to control erosion and improve the quantity and quality of soil resources, improve and conserve water, enhance fish and wildlife habitat, conserve energy, improve woodland, pasture and range conditions, and reduce upstream flooding; all to protect and enhance the natural resource base.

Information regarding national inventories and appraisals of the resource base are provided to states, districts and other organizations. Technical assistance is provided to monitor and develop effective conservation programs.

2. Soil surveys are made to inventory the Nation's basic soil resources and to determine land capabilities and conservation treatment needs. Soil survey publications include interpretations useful to cooperators, other Federal agencies, State and local organizations.

3. Snow survey and water forecasting from basic data collected to provide estimates of annual water availability from high mountain snow packs and relating this to summer stream flow in the western States and Alaska. Information is used by agriculture, industry, and cities in estimating future water supplies.

4. Operation of plant materials centers to assemble, test, and encourage increased use of plant species which show promise for use in the treatment of conservation problem areas.

River Basin Surveys and Investigations

This program is authorized by the Watershed and Flood Prevention Act, Public Law 83-566, Section 6, August 4, 1954, (16 U.S.C. 1006).

The program involves cooperation with other Federal, State, and local agencies in the conduct of river basin surveys and investigations, flood hazard analysis, and flood plain management assistance to aid in the development of coordinated water resource programs, including the development of guiding principles and procedures. SCS represents the Department on river basin regional entities and River Basin Interagency Committees for coordination among Federal Departments and States.

Watershed Planning

This activity is carried out under the Watershed and Flood Prevention Act, as amended, Public Law 83-566, August 4, 1954, (16 U.S.C. 1001-1008). The program consists of (a) making preliminary investigations to assess proposed small watershed projects in response to requests made by sponsoring local organizations and (b) providing assistance to sponsors in the development of watershed work plans. SCS is responsible for development of guiding principles and procedures.

Watershed and Flood Prevention Operations. Activities under this program include:

1. Watershed Operations authorized by Public Law 78-534

SCS administers watershed works of improvement authorized by the Flood Control Act of 1944 (33 U.S.C. 701b-1).

Flood prevention operations include planning and installing works of improvement for flood prevention and for the conservation, development, utilization, and disposal of water. This may also include the development of recreational facilities and the improvement of fish and wildlife habitat. Activities are authorized in 11 specific flood prevention projects covering about 11 million acres.

2. Emergency operations authorized by Section 216, Public Law 81-516, (33 U.S.C. 701b-1) and Sections 403-405, Public Law 95-334, (16 U.S.C. 2203-2205)

Emergency operations provide for the installation of emergency measures for runoff retardation and soil-erosion prevention, in cooperation with landowners and landusers, as the Secretary deems necessary to safeguard lives and property from floods, drought, and the products of erosion on any watershed whenever fire, flood, or any other natural occurrence is causing or has caused a sudden impairment of that watershed.

3. Small Watersheds authorized by Public Law 83-566, as amended, (16 U.S.C. 1001-1008)

This program provides for cooperation with local sponsors, State, and other public agencies in the installation of planned works of improvement in approved watershed projects. Such works of improvement reduce erosion, floodwater, and sediment damage. They also further the conservation, development utilization, and disposal of water, including the development of multipurpose facilities for such uses as recreation, improvement of fish and wildlife habitat, irrigation, and water supply to municipal and industrial users.

Great Plains Conservation Program

The Great Plains Conservation Program is authorized by Public Law 84-1021, as amended, (16 U.S.C. 590p (b)). The program's objective is to bring about a long-term solution to problems resulting from drought and the cultivation of land unsuited for sustained crop production in the 10 Great Plains States. Activities include:

1. Cost-sharing of permanent conservation practices under long-term contracts with farmers and ranchers in designated counties in the 10 Great Plains States.

2. Cost-share programming and contract administration and technical assistance to help make needed land use adjustments and install conservation measures specified in basic conservation plans in accordance with contract schedules.

Resource Conservation and Development Program

Section 102 of the Food and Agriculture Act of 1962 (Public Law 87-703), (7 U.S.C. 1010-1011) and Sections 1528-1538 of the Agriculture and Food Act of 1981 (Public Law 97-98) provide authority to assist locally sponsored Resource Conservation and Development Projects to conduct programs of land conservation and use in areas where acceleration of present conservation activities are needed and where projects add economic opportunities to the people.

Program Administration: The Soil Conservation Service maintains its central office in Washington, D.C. Most of its activities are carried out in about 3,050 field offices in the 50 States and Puerto Rico. Four technical service centers provide program coordination and technical support. This includes services such as engineering, watershed planning, cartographic work, soil mechanics laboratories, information, professional help in agronomy, soils, biology, forestry, plant materials, range conservation, and other technical work. As of September 30, 1988, there were 12,364 full-time employees and 2,561 part-time, intermittent, and other employees. Of these, 440 full-time employees and 11 other employees were located in Headquarters.

Soil Conservation Service
Available Funds and Staff-Years
1988 and Estimated, 1989 and 1990

ITEM	1988 Actual		1989 Estimated		1990 Estimated	
	Amount	Staff: 1/ : Years:	Amount	Staff: : Years:	Amount	Staff: : Years:
Soil Conservation Service:						
Conservation Operations...	\$444,391,460	10,242	\$465,367,738	10,327	\$474,750,000	10,258
River Basin Surveys and						
Investigations.....	12,051,000	236	12,051,000	228	9,600,000	178
Watershed Planning.....	8,651,000	174	8,651,000	168	7,830,000	150
Watershed and Flood Prev-						
ention Operations.....	175,873,000	1,579	172,373,000	1,497	96,100,000	1,335
Great Plains Conservation						
Program.....	20,474,000	215	20,474,000	195	18,623,000	191
Resource Conservation and						
Development.....	25,120,000	403	25,120,000	401	24,487,000	399
Total.....	686,560,460	12,849	704,036,738	12,816	631,390,000	12,511
Deduct allotments to						
other agencies:						
FS.....	- 5,005,874	-73	-5,044,000	-71	-3,060,000	-41
FmHA.....	-315,000	-10	-315,000	-10	-50,000	-2
Net.....	681,239,586	12,766	698,677,738	12,735	628,280,000	12,468
Obligations under other						
USDA appropriations:						
Reimbursements for						
technical services to:						
Agricultural Conservation						
Program (ASCS).....	9,201,609	280	8,847,000	260	400,000	11
Experimental Rural Clean						
Water Program (ASCS)....	798,653	23	800,000	22	800,000	22
Water Bank Program (ASCS)	371,142	18	400,000	19	400,000	19
Emergency Conservation						
Program (ASCS).....	111,884	2	200,000	3	--	--
Conservation Reserve Prog. 2/	6,412,623	139	11,500,000	241	8,200,000	165
Colorado Salinity Program	1,853,037	52	1,640,000	44	3,877,000	101
Foreign Details and						
Assignments (OICD).....	1,029,270	17	1,300,000	21	1,300,000	21
Soil Survey (FS).....	298,749	10	310,000	10	310,000	10
Accelerate Soil Surveys..	644,869	1	669,000	1	669,000	1
Other: planning and						
application.....	427,304	1	443,000	1	443,000	1
Plant Materials Centers						
Operations.....	47,451	1	49,000	1	49,000	1
Reimbursement for other						
services for:						
Facilities: Rent, phone,						
utilities, etc.....	3,145,703	--	3,281,000	--	3,280,000	--
Proceeds of sales.....	163,304	--	172,000	--	162,000	--
Miscellaneous.....	1,865,937	6	1,841,000	6	1,816,000	6
Total, Other USDA						
Appropriations.....	26,371,535	550	31,452,000	629	21,706,000	359
Total, Agriculture						
Appropriations.....	707,611,121	13,316	730,129,738	13,364	649,986,000	12,827
Obligations under other						
Federal appropriations:						
Reimbursement for technical						
services for:						
Soil surveys (Interior)..	997,523	30	1,035,000	30	1,035,000	30
Accelerate Soil Surveys..	630,283	12	654,000	12	654,000	12
Other: planning and						
application.....	1,342,457	30	1,393,000	30	1,393,000	30
Acid rain (EPA).....	487,672	11	506,000	11	506,000	11

Available Funds and Staff-Years 1988 and Estimated, 1989 and 1990 - Continued

ITEM	1988 Actual		1989 Estimated		1990 Estimated	
	Amount	Staff: Years	Amount	Staff: Years	Amount	Staff: Years
Snow Survey and Water Forecasting.....	129,729:	2:	135,000:	2:	135,000:	2
Plant Materials Center Operations.....	140,666:	1:	146,000:	1:	146,000:	1
Cooperative surveys (RB).....	116,256:	2:	164,000:	2:	109,000:	2
Flood Insurance Studies: (HUD).....	282,655:	7:	420,000:	9:	280,000:	5
Reimbursement for other services for:						
Facilities: Rent, phone, utilities, etc.....	46,866:	--:	50,000:	--:	50,000:	--
Proceeds of sales.....	94,208:	--:	95,000:	--:	93,000:	--
Financial assistance.....	125,258:	--:	180,000:	--:	148,000:	--
Miscellaneous.....	1,424,951:	16:	1,561,000:	16:	1,488,000:	13
Allocation from Other Federal Agencies:						
Rural Abandoned Mine Program (DOI-OSM).....	14,630,372:	111:	12,640,108:	104:	--:	--
Obligations under non-Federal Funds:						
Reimbursement for technical service for:						
Planning and application.....	1,687,191:	35:	1,751,000:	35:	1,751,000:	35
Accelerate Soil Surveys..	3,882,144:	132:	4,030,000:	132:	4,030,000:	132
Snow Survey and Water Forecasting.....	49,506:	2:	51,000:	2:	51,000:	2
Plant Materials Centers..						
Operations.....	100,438:	--:	104,000:	--:	104,000:	--
A&E Contracts.....	-304,323:	--:	100,000:	--:	50,000:	--
Cooperative River Basin Surveys.....	91,229:	1:	129,000:	1:	86,000:	--
Watershed Planning.....	187,390:	4:	297,000:	6:	204,000:	5
Abandon Mine Reclamation..	137,286:	4:	143,000:	4:	143,000:	4
Reimbursement for other services for:						
Facilities: Rent, phone, utilities, etc.....	834,320:	--:	865,000:	--:	865,000:	--
Proceeds of sales.....	659,720:	--:	695,000:	--:	676,000:	--
Financial Assistance.....	13,923,055:	--:	18,676,000:	--:	16,148,000:	--
Miscellaneous.....	2,159,130:	19:	2,328,000:	21:	2,274,000:	20
Trust funds:						
Small Watershed and RC&D projects and soil surveys	888,176:	12:	560,000:	12:	560,000:	12
Total Reimbursements and Other Funds.....	71,115,693:	981:	80,160,108:	1,059:	54,685,000:	675
Total, Soil Conservation Service.....	\$752,355,279:	13,747:	\$778,837,846:	13,794:	\$682,965,000:	13,143

Full-Time Equivalent Staff-Years:	1988 Actual	1989 Estimated	1990 Estimated
Ceiling.....	13,747	13,794 ^{3/}	13,143
Non-ceiling.....	297	297	295
Total.....	14,044	14,091	13,438

- 1/ Conservation Operations - Excludes \$31,513 carryover for FY 1988 and \$21,478 carryover for FY 1989.
Watershed and Flood Prevention Operations - Excludes \$22,635,587 carryover for FY 1988 and \$27,883,892 carryover for FY 1989.
Great Plains Conservation Program - Excludes \$136,068 carryover for FY 1988 and \$57,257 carryover for FY 1989.
Resource Conservation and Development - Excludes \$1,679,573 carryover for FY 1988 and \$2,265,556 carryover for FY 1989.
- 2/ Funding shows amounts actually used or anticipated.
- 3/ Ceiling mandated by Congress is 14,177. Ceiling staff-years of 13,794 are supportable within available funds.

UNITED STATES DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE
Permanent Positions by Grade and Staff-Year Summary
1988 and Estimated 1989 and 1990

Grade	1988			1989			1990		
	Head- quarters	Field	Total 1/ :	Head- quarters	Field	Total 1/ :	Head- quarters	Field	Total
ES-6	1	0	1	1	0	1	1	0	1
ES-5	7	0	7	7	0	7	7	0	7
ES-4	9	1	10	9	1	10	9	1	10
ES-3	3	0	3	3	0	3	3	0	3
ES-2	3	2	5	3	2	5	3	2	5
ES-1	1	0	1	1	0	1	1	0	1
GS/GM-15	45	55	100	45	54	99	43	51	94
GS/GM-14	85	92	177	85	91	176	80	87	167
GS/GM-13	81	554	635	81	549	630	77	522	599
GS-12	36	1,204	1,240	36	1,195	1,231	34	1,136	1,170
GS-11	28	3,629	3,657	28	3,601	3,629	26	3,423	3,449
GS-10	1	3	4	1	3	4	1	3	4
GS-9	10	1,757	1,767	10	1,744	1,754	9	1,658	1,667
GS-8	13	184	197	13	182	195	12	174	186
GS-7	33	1,785	1,818	33	1,771	1,804	31	1,684	1,715
GS-6	31	954	985	31	946	977	29	900	929
GS-5	18	954	972	18	947	965	17	900	917
GS-4	15	564	579	15	560	575	14	532	546
GS-3	8	133	141	8	132	140	8	125	133
GS-2	2	8	10	2	8	10	2	7	9
GS-1	0	5	5	0	5	5	0	5	5
Other Graded Positions	10	0	10	10	0	10	9	0	9
Ungraded Positions	0	50	50	0	50	50	0	47	47
Total Perm. Positions	440	11,934	12,374	440	11,841	12,281	416	11,257	11,673
Staff-Years:									
Ceiling	435	13,312	13,747	444	13,350	13,794 3/	422	12,721	13,143
Non-Ceiling 2/	17	280	297	8	289	297	8	287	295
TOTAL	452	13,592	14,044	452	13,639	14,091	430	13,008	13,438

1/ Includes positions for Rural Abandoned Mine Program.

2/ Includes staff-years for stay-in-school positions.

3/ Fundable ceiling, however, 14,177 was included in appropriations legislation for FY 1989.

SOIL CONSERVATION SERVICE

CLASSIFICATION BY OBJECTS1988 and Estimated 1989 and 1990

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>
<u>Personnel Compensation</u>			
Headquarters	\$17,667,664	\$18,197,000	\$17,895,000
Field	336,535,468	347,585,000	343,770,000
11 Total personnel compensation.....	354,203,132	365,782,000	361,665,000
12 Personnel benefits.....	66,874,553	70,669,000	69,886,000
13 Benefits for former personnel.....	421,423	421,000	416,000
Total personnel compensation & benefits	<u>421,499,108</u>	<u>436,872,000</u>	<u>431,967,000</u>
<u>Other Objects:</u>			
21 Travel.....	16,923,452	17,797,000	17,702,000
22 Transportation of things.....	4,988,728	5,162,000	5,271,000
23.2 Rental payments to others.....	12,475,093	13,592,000	13,890,000
23.3 Communications, utilities and miscellaneous charges.....	22,904,197	23,730,000	24,153,000
24 Printing and reproduction.....	3,908,046	4,008,000	4,073,000
25 Other services.....	37,041,684	40,065,000	42,179,000
Construction Contracts.....	57,313,298	81,039,000	18,726,000
26 Supplies and materials.....	12,690,634	13,573,000	13,398,000
31 Equipment.....	30,764,920	30,926,000	33,052,000
32 Land and Structures.....	386,363	402,000	410,000
33 Investments and Loans.....	-50,616	0	0
41 Grants, subsidies, and contributions	53,958,376	61,627,000	23,365,000
42 Insurance claims and indemnities....	70,765	95,000	75,000
43 Interest & dividends.....	8,343	7,000	7,000
44 Refunds.....	5,224	12,000	12,000
Total other objects.....	<u>253,388,507</u>	<u>292,035,000</u>	<u>196,313,000</u>
Total direct obligations.....	<u>\$674,887,615</u>	<u>\$728,907,000</u>	<u>\$628,280,000</u>

Position Data

Average Salary, ES positions	\$71,143	\$73,334	\$73,334
Average Salary, GM/GS positions	\$35,811	\$37,279	\$37,279
Average Grade, GM/GS positions	10.38	9.04	9.04

UNITED STATES DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE
Permanent Positions by Grade and Staff-Year Summary
1988 and Estimated 1989 and 1990

Grade	1988			1989			1990		
	Head- quarters	Field	Total 1/ :	Head- quarters	Field	Total 1/ :	Head- quarters	Field	Total
ES-6	1	0	1	1	0	1	1	0	1
ES-5	7	0	7	7	0	7	7	0	7
ES-4	9	1	10	9	1	10	9	1	10
ES-3	3	0	3	3	0	3	3	0	3
ES-2	3	2	5	3	2	5	3	2	5
ES-1	1	0	1	1	0	1	1	0	1
GS/GM-15	45	55	100	45	54	99	43	51	94
GS/GM-14	85	92	177	85	91	176	80	87	167
GS/GM-13	81	554	635	81	549	630	77	522	599
GS-12	36	1,204	1,240	36	1,195	1,231	34	1,136	1,170
GS-11	28	3,629	3,657	28	3,601	3,629	26	3,423	3,449
GS-10	1	3	4	1	3	4	1	3	4
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GS-4	15	564	579	15	560	575	14	532	546
GS-3	8	133	141	8	132	140	8	125	133
GS-2	2	8	10	2	8	10	2	7	9
GS-1	0	5	5	0	5	5	0	5	5
Other Graded Positions	10	0	10	10	0	10	9	0	9
Ungraded Positions	0	50	50	0	50	50	0	47	47
Total Perm. Positions	440	11,934	12,374	440	11,841	12,281	416	11,257	11,673
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SOIL CONSERVATION SERVICE

CLASSIFICATION BY OBJECTS

1988 and Estimated 1989 and 1990

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Headquarters	\$17,667,664	\$18,197,000	\$17,895,000
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24 Printing and reproduction.....	3,908,046	4,008,000	4,073,000
25 Other services.....	37,041,684	40,065,000	42,179,000
Construction Contracts.....	57,313,298	81,039,000	18,726,000
26 Supplies and materials.....	12,690,634	13,573,000	13,398,000
31 Equipment.....	30,764,920	30,926,000	33,052,000
32 Land and Structures.....	386,363	402,000	410,000
33 Investments and Loans.....	-50,616	0	0
41 Grants, subsidies, and contributions	53,958,376	61,627,000	23,365,000
42 Insurance claims and indemnities....	70,765	95,000	75,000
43 Interest & dividends.....	8,343	7,000	7,000
44 Refunds.....	5,224	12,000	12,000
Total other objects.....	<u>253,388,507</u>	<u>292,035,000</u>	<u>196,313,000</u>
Total direct obligations.....	<u>\$674,887,615</u>	<u>\$728,907,000</u>	<u>\$628,280,000</u>

Position Data

Average Salary, ES positions	\$71,143	\$73,334	\$73,334
Average Salary, GM/GS positions	\$35,811	\$37,279	\$37,279
Average Grade, GM/GS positions	10.38	9.04	9.04

	Total Obligations	Conservation Operations	River Basin Surveys and Investi- gations	Watershed Planning	Watershed and Flood Prevention Operations	Great Plains Conservation Program	Resource Conservation and Development
Organizational Summary:							
Washington Headquarters.....	\$25,164	\$18,132	\$902	\$382	\$4,749	\$297	\$702
State Offices.....	62,361	45,895	1,860	1,244	10,060	812	2,490
State Technical Specialists....	29,034	21,167	1,360	849	4,500	352	806
Technical Service Centers.....	27,887	19,815	656	1,410	5,488	122	396
Plant Materials Centers.....	4,333	4,223	--	55	55	--	--
Other National Units.....	18,632	16,436	146	121	1,448	200	281
Miscellaneous State Units.....	27,374	8,111	4,842	4,043	9,368	187	823
Area Office Staffs.....	59,837	47,732	423	73	8,161	1,064	2,384
Miscellaneous Area Units.....	50,913	29,661	186	3	12,293	--	8,770
Field Office Staffs.....	255,790	232,783	764	183	14,618	5,707	1,735
TOTAL SCS.....	561,325	443,955	11,139	8,363	70,740	8,741	18,387
Cost-Share/Construction.....	113,562	--	--	--	96,449	11,812	5,301
TOTAL SCS OBLIGATIONS NET...	674,887	443,955	11,139	8,363	167,189	20,553	23,688
FmHA.....	315	--	--	--	255	--	60
FS.....	5,006	--	807	232	3,182	--	786
Subtotal.....	5,321	--	807	232	3,437	--	846
TOTAL OBLIGATIONS, NET OF REIMBURSEMENTS.....	\$680,208	\$443,955	\$11,946	\$8,595	\$170,626	\$20,553	\$24,534

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Conservation Operations

- For necessary expenses for carrying out the provisions of the Act of April 27, 1935 (16 U.S.C. 590a-590f) including preparation of conservation plans and establishment of measures to conserve soil and water (including farm irrigation and land drainage and such special measures for soil and water management as may be necessary to prevent floods and the siltation of reservoirs and to control agricultural related pollutants); operation of conservation plant materials centers; classification and mapping of soil; dissemination of information; acquisition of lands by donation, exchange, or purchase at a nominal cost not to exceed \$100; purchase and erection or alteration or improvement of permanent and temporary buildings; and operation and maintenance of aircraft, [~~\$403,262,000~~] \$474,750,000; of which not less than \$5,494,000 is for snow survey and water forecasting and not less than [~~\$5,043,000~~] \$6,884,000 is for operation of the plant materials centers: Provided, [~~That of the foregoing amounts not less than \$310,000,000 is for personnel compensation and benefits: Provided further,~~] That except for \$1,841,000 for improvements of the plant materials centers, the cost of any permanent building purchased, erected, or as improved, exclusive of the cost of constructing a water supply or sanitary system and connecting the same to any such building and with the exception of buildings acquired in conjunction with land being purchased for other purposes, shall not exceed \$10,000, except for one building to be constructed at a cost not to exceed \$100,000 and eight buildings to be constructed or improved at a cost not to exceed \$50,000 per building and except that alterations or improvements to other existing permanent buildings costing \$5,000 or more may be made in any fiscal year in an amount not to exceed \$2,000 per building: Provided further, That when buildings or other structures are erected on non-Federal land that right to use such land is obtained as provided in 7 U.S.C. 2250a: Provided further, That no part of this appropriation may be expended for soil and water conservation operations under the Act of April 27, 1935 (16 U.S.C. 590a-590f) in demonstration projects: Provided further, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225) and not to exceed \$25,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That qualified local engineers may be temporarily employed at per diem rates to perform the technical planning work of the Service (16 U.S.C. 590e-2)
- 3 [: Provided further, That none of the funds in this Act shall be used for the purpose of consolidating equipment, personnel, or services of the Soil Conservation Service's national technical centers in Portland, Oregon; Lincoln, Nebraska; and Fort Worth, Texas into a single national technical center].

The first change in language proposes deletion of the language establishing a floor on the amount of funds available for personnel compensation and benefits. This limitation severely limits managerial flexibility in maintaining the proper balance between staffing needs and other support items such as travel, training and equipment that are required for effective delivery of program services to farmers, ranchers and others who participate in conservation programs. Implementation of the conservation provisions of the Food Security Act of 1985 is having a major impact on SCS field offices as additional demands are made to provide technical assistance and soil survey data. Maximum flexibility is needed to ensure that all available resources can be used to meet these needs in a timely manner. The limitation also adds unnecessarily to administrative overhead costs because of the need to maintain additional accounting and managerial controls.

The second change proposes additional language that would exempt \$1,841,000 of the funds appropriated to operate plant materials centers from the construction and improvements limitations otherwise contained in the language. The change is needed before facilities at the 23 plant materials centers operated by SCS can be renovated as proposed in the 1990 budget. All other appropriated funds would remain subject to the current limitations. The new language would be deleted when the renovation is completed.

The third change proposes deletion of language prohibiting the use of appropriated funds for consolidating the four existing SCS technical centers into one center. This language is no longer required because SCS plans to continue operating all four technical centers.

Conservation Operations

Appropriations Act, 1989.....	\$403,262,000
Budget Estimate, 1990.....	474,750,000
Increase in Appropriation.....	<u>+71,488,000</u>

Adjustments in 1989:

Appropriations Act, 1989.....	\$403,262,000	
Transfer from the Conservation Reserve		
Program for FSA work a/.....	+61,461,000	
Transfer from the Departmental Rental Payments		
Account for non-GSA buildings b/.....	+644,738	
Adjusted base for 1989.....		\$465,367,738
Budget Estimate, 1990.....		474,750,000
Increase over adjusted 1989.....		<u>+9,382,262</u>

a/ The 1989 Appropriations Act provided that 4 percent of the funds appropriated for the Conservation Reserve Program, but not to exceed \$61,461,000, be transferred to the Soil Conservation Service for conservation activities related to the Food Security Act of 1985.

b/ Funds were transferred in 1989 from the Rental Payments (USDA) account for leases reassigned by GSA to SCS in 1988 and 1989.

SUMMARY OF INCREASES AND DECREASES
(on basis of adjusted appropriation)

Item of Change	1989 Estimated	Program Changes	1990 Estimated
Technical assistance.....	\$386,627,738	+\$7,080,262	\$393,708,000
Soil survey.....	68,203,000	+461,000	68,664,000
Snow survey and water forecasting.	5,494,000	--	5,494,000
Operation of plant materials ctrs.	5,043,000	+1,841,000	6,884,000
TOTAL AVAILABLE.....	<u>\$465,367,738</u>	<u>+\$9,382,262</u>	<u>\$474,750,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1988		: 1989 estimated		Increase	: 1990 estimated	
	Amount	: Staff:	Amount	: Staff:		Amount	: Staff:
1. Technical assistance.....	\$366,439,460:	8,709:	\$386,627,738:	8,833:	+\$7,080,262 (1)	\$393,708,000:	8,781
2. Soil surveys.....	67,717,000:	1,326:	68,203,000:	1,288:	+461,000 (2)	68,664,000:	1,275
3. Snow survey and	:	:	:	:	:	:	:
water forecasting	5,379,000:	88:	5,494,000:	87:	--	5,494,000:	85
4. Operation of plant	:	:	:	:	:	:	:
materials centers	4,856,000:	119:	5,043,000:	119:	+1,841,000 (3)	6,884,000:	117
Total available	:	:	:	:	:	:	:
estimate.....	444,391,460:	10,242:	465,367,738:	10,327:	+\$9,382,262	\$474,750,000:	10,258
Transfer from CRP....	-45,240,000:	--:	-61,461,000:	--:			
Transfer from Rental.	-481,460:	--:	-644,738:	--:			
Total, appropriation.	<u>\$398,670,000:</u>	<u>10,242:</u>	<u>\$403,262,000:</u>	<u>10,327:</u>			

PROJECT STATEMENT
(On basis of available funds)

Project	1988		1989 estimated		Increase or Decrease	1990 estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Direct obligations:							
1. Technical assistance.....	\$366,118,376:	8,709:	\$386,649,216:	8,833:	+\$7,058,784:	\$393,708,000:	8,781
2. Soil surveys.....	67,608,998:	1,326:	68,203,000:	1,288:	+461,000:	68,664,000:	1,275
3. Snow survey and water forecasting	5,373,767:	88:	5,494,000:	87:	--:	5,494,000:	85
4. Operation of plant materials centers	4,854,012:	119:	5,043,000:	119:	+1,841,000:	6,884,000:	117
Total direct obligations.....	443,955,153:	10,242:	465,389,216:	10,327:	+9,360,784:	474,750,000:	10,258
Unobligated balance brought forward.....	(-31,513)	--:	(-21,478)	--:	(+21,478)	--:	--
Unobligated balance carried forward.....	(21,478)	--:	--:	--:	--:	--:	--
Unobligated balance lapsing.....	(446,342)	--:	--:	--:	--:	--:	--
Adjusted appropriation.....	(444,391,460)	(10,242)	(465,367,738)	(10,327)	(+9,382,262)	(474,750,000)	(10,258)
Reimbursable obligations:							
1. Technical assistance.....	32,018,594:	628:	37,258,000:	707:	-9,710,000:	27,548,000:	437
2. Soil surveys.....	7,802,674:	198:	8,079,000:	198:	--:	8,079,000:	198
3. Snow survey and water forecasting	313,834:	4:	325,000:	4:	--:	325,000:	4
4. Operation of plant materials centers	325,492:	2:	338,000:	2:	--:	338,000:	2
Total, reimbursable obligations.....	40,460,594:	832:	46,000,000:	911:	-9,710,000:	36,290,000:	641
Obligational authority.....	\$484,415,747:	11,074:	\$511,389,216:	11,238:	-\$349,216:	\$511,040,000:	10,899

SOURCES OF REIMBURSEMENTS

Project	1988		1989 estimated		Increase or Decrease	1990 estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Within USDA:							
Agricultural Stabilization & Conservation Service.....	\$18,748,948:	514:	\$23,387,000:	589:	-\$9,710,000:	\$13,677,000:	319
Office of International Cooperation & Development.....	1,029,270:	17:	1,300,000:	21:	--:	1,300,000:	21
Other.....	6,453,403:	19:	6,568,000:	19:	--:	6,568,000:	19
Other Federal.....	5,036,209:	94:	5,218,000:	94:	--:	5,218,000:	94
Non-Federal:							
State & Counties for soil surveys.....	3,882,144:	132:	4,030,000:	132:	--:	4,030,000:	132
Other.....	5,310,620:	56:	5,497,000:	56:	--:	5,497,000:	56
Total reimbursements..	\$40,460,594:	832:	\$46,000,000:	911:	-\$9,710,000:	\$36,290,000:	641

OUTLAYS

Project	1988	1989	Increase or Decrease	1990
	Actual	Estimated		Estimated
1. Technical assistance.....	\$370,854,931	\$394,587,000	+\$1,133,000	\$395,720,000
2. Soil Surveys.....	68,483,735	69,925,000	-868,000	69,057,000
3. Snow survey and water forecasting.....	5,443,155	5,624,000	-97,000	5,527,000
4. Operation of plant materials centers.....	4,917,007	5,155,000	+1,610,000	6,765,000
Total outlays.....	\$449,698,828	\$475,291,000	-\$1,778,000	\$477,069,000

EXPLANATION OF PROGRAM

The appropriation "Conservation Operations," funds four Soil Conservation Service activities authorized by the Act of April 27, 1935, (16 U.S.C. 590-590f); and the Soil and Water Resources Conservation Act of 1977, (16 U.S.C. 2001-2009). These activities are designed to reduce erosion, solve soil and water management problems, bring about physical adjustments in land use, improve agriculture, and reduce damage caused by floods and sedimentation. Activities include:

1. Technical assistance - The Soil Conservation Service provides technical assistance to 2,941 conservation districts. These districts, formed under State enabling legislation and locally controlled, have within their boundaries about 99 percent of the farms and ranches in the Nation. Through these conservation districts, the Soil Conservation Service provides technical help to more than 2,300,000 district cooperators, who are primarily farmers and ranchers, having land use and conservation problems. More than 1 million district cooperators receive help on an annual basis. About 19,000 State and local units of government were assisted with problems of land use, conservation, or building and water resource developments during FY 1988.

Conservation plans developed by landusers consist of their decisions to achieve conservation objectives, and contain soil and capability maps and other basic resource data interpreted for alternative uses and treatment.

Installation services are provided to cooperating land users to help them apply planned conservation systems. These services include site investigation, designs and specifications, construction plans, and layout of practices.

Technical assistance is currently being provided to implement the highly erodible land, wetland, and Conservation Reserve program provisions of the 1985 Food Security Act. SCS field technicians make the highly erodible land and wetland determinations and assist landusers in the preparation of conservation plans and application of practices needed to ensure compliance with the law. Producers have until December 31, 1989, to have an approved conservation plan developed on all highly erodible cropland in order to retain their eligibility for USDA farm program benefits. The approved conservation measures must then be installed by December 31, 1994. After the sixth program sign up, the CRP has nearly 26 million acres enrolled in about 240,000, 10-year contracts which reduce erosion by 530,000,000 tons annually (20 tons per acre).

Technical services are also provided to individuals and groups participating in the Agricultural Conservation Program for site selection, layout, or establishment of specified conservation practices; and to those farmers who enter into contracts under the Conservation Reserve Program. Nearly 68,000 contracts covering 6.8 million acres were signed in FY 1988.

This item also funds the inventory and monitoring, resource appraisal and program development activities of the Soil Conservation Service. Natural and related resource data, other than soil survey data, are collected and interpreted for National assessments, and provided to users for resource programming and planning decisions. In addition, special resource inventories are made of wind erosion conditions in the Great Plains, and for identification of important farmlands and areas with critical erosion rates. Nationwide appraisals of soil, water, and related resources are conducted on a periodic basis and future long-range conservation programs are developed to help USDA, soil and water conservation districts, and other Federal, State and local agencies identify the highest priority problems and the present and likely future demands on the soil, water, and related resources of the Nation.

Overall accomplishments under the Conservation Technical Assistance program are as follows:

	<u>FY 1988 Actual</u>	<u>FY 1989 Estimate</u>	<u>FY 1990 Estimate</u>
Decisionmakers receiving technical services (000's).....	2,136	1,700	1,700
Acres treated through conservation technical assistance (000's).....	61,830	50,000	65,000
Tons of soil erosion reduced (000's).	463,261	375,000	450,000

2. Soil surveys - Special investigations and interpretations are made to determine the kinds of soil, potential alternative uses, and their needs for full use and conservation. Each soil survey includes field mapping and necessary correlation, interpretation, investigations, and laboratory work. These surveys are conducted cooperatively with other Federal agencies, land grant colleges, other State agencies, and local organizations. The published soil survey for a county or designated area includes maps with explanatory information useful in many Federal, State, county, and local community programs. Special reports are prepared and released as needed for local uses. Current program emphasis is being placed on the completion of soils maps on highly erodible lands and wetlands impacted by the conservation provisions of the 1985 Food Security Act.

Actual and projected accomplishments for the soil survey program are as follows:

	<u>FY 1988 Actual</u>	<u>FY 1989 Estimate</u>	<u>FY 1990 Estimate</u>
Acres mapped annually by SCS (millions).....	38.0	40.0	40.2
Soil surveys ready for publication (number).	70	60	80

3. Snow survey and water forecasting - Snow survey and water forecasting provides a valuable service to irrigators and others who rely upon snow data and water supply forecasts in planning annual operations. More than 10,000,000 acres of irrigated land in the Western States and Alaska are served by water supply forecasts. Although water supply forecasts are geared primarily to the needs of rural farm and ranch operators, they are used extensively by a wide variety of water management groups that have responsibility for flood control, recreation, fish and wildlife, power generation, municipal and industrial water supply, and water quality management.
4. Operation of plant materials centers - Plant materials centers are operated for testing, selection, and providing for the commercial production of plants for erosion control, special conservation purposes, and adaptation to unusual soil and site conditions. The work at the 26 centers includes cooperation with State and Federal agencies, commercial businesses, and seed and nursery associations to encourage production, release, and use of new or uncommon plant materials needed in soil and water conservation programs. Over 200 new conservation plant varieties from this program are in large scale use in combating the many problems encountered in a total program of soil, water, and related resource conservation. Twelve new conservation plants were released for conservation purposes during FY 1988.

OIG Reports

10099-1-FM	3-31-88	SCS Interest Penalties Paid On Procurements.
10610-4-AT	3-31-88	SCS Field Office Communication and Automation System, Software Development - Computer Assisted Management and Planning Systems.
10610-6-AT	In Progress	SCS Cost/Benefit Analysis and Automated Data Processing Equipment Inventory.
10610-7-AT	In Progress	State Level Implementation of Field Office Communication and Automation System.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net increase in appropriation of \$7,080,262 for technical assistance (on the basis of available funds there is an increase of \$7,058,784) consisting of:

- (a) An increase of \$13,000,000 to provide technical assistance in support of the Government-wide water quality initiative.

Need for Change. The Water Quality Act (WQA) of 1987 in conjunction with the Clean Water Act of 1972 places greater responsibility on States and private individuals to control water pollution resulting from nonpoint sources, including agriculture. Public concern continues to grow over the contamination of U.S. surface and ground waters from pesticides, nutrients, animal wastes, sediment and salinity. The draft USDA Second Resources Conservation Act (RCA) Appraisal estimates that the ground water supplies in approximately 1,437 counties in the U.S. are classified as vulnerable to potential contamination from toxic elements in pesticides and/or nutrients in fertilizers. In addition, similar parallels exist for surface water contamination. To address water quality concerns USDA will utilize a voluntary approach which is based on its field delivery system.

Nature of Change. The 1990 budget proposes a government-wide Water Quality Initiative which will build on existing USDA efforts in this area; and will be a coordinated effort of the following USDA agencies: Soil Conservation Service (SCS), Agricultural Research Service (ARS), Cooperative State Research Service (CSRS), National Agricultural Library (NAL), Extension Service (ES), Agricultural Stabilization and Conservation Service (ASCS), Economic Research Service (ERS), Animal and Plant Health Inspection Service (APHIS), and Forest Service (FS). The initiative will rely on the expertise of water quality professionals from other agencies, including the Environmental Protection Agency (EPA), U.S. Geological Survey (USGS), Corp of Engineers (COE), and State water quality agencies. The SCS component of the initiative will be based on its field delivery system which has provided conservation planning and application assistance to about 1 million farmers annually. Water quality management practices will be incorporated into the conservation planning and application activities of the agency. These practices will be developed drawing upon past experience from providing conservation planning and application assistance, ES' experience with integrated pest management, and from results of past and on-going research efforts.

The 1990 USDA Water Quality Initiative will require cooperation with the EPA, other federal agencies and State governments to establish component practice standards and specifications for all applicable nonpoint source control efforts. Through the process prescribed by Section 319 of the Water Quality Act, states will identify hydrologic units with the greatest potential of degradation from nonpoint sources. Hydrologic units will be prioritized and technical assistance will be focused in those units where nonpoint source contaminants pose the greatest risk to human health.

Specifically, the requested increase of \$13 million will fund 196 additional SCS staff years, and contracts and agreements, to strengthen on-going SCS water quality activities as follows:

- o An additional \$3.6 million is requested for technology development which will provide for refinement of practice standards and specifications based on water quality research results; the development of soils interpretations; the development and implementation of Geographic Information System (GIS) technology and computer simulation models to ensure that USDA assistance is targeted to the most critical areas; training of field office staff; and monitoring and evaluation of ground and surface water. The specific focus of technology development will be to update the SCS field office technical guide which is the basis for planning and installing conservation practices on individual farm units, to

better address concerns for water quality. In the interim agreement between EPA and SCS, signed October 20, 1988, EPA agreed to encourage States to select agricultural best management practices for controlling nonpoint source pollution that will be in accordance with SCS standards and specifications as contained in the SCS field office technical guide.

- o An additional \$2.6 million will be allocated for regional projects to accelerate ongoing water quality technical assistance in nationally identified multi-State areas with critical water quality concerns. These areas include the Chesapeake Bay, Great Lakes, Tennessee River Valley, Gulf of Mexico, Puget Sound and other estuaries as warranted.
 - o An additional \$5.4 million will be available for water quality technical assistance with existing proven techniques to selected high priority nonpoint source hydrologic units. Hydrologic units, generally defined on drainage areas and or on a watershed basis, will be selected from those identified by State's Section 319 plans based on problem severity and impact, the extent to which agriculture is contributing to the problem, and the degree of State and local support for implementing a program to address the problem. Areas with ground water quality problems attributed to agricultural production will be emphasized.
 - o \$1.1 million is requested to conduct 8 demonstration projects in cooperation with the ES which display impacts of innovative agricultural production systems on farm businesses, crop yield and environmental quality. The projects will conduct research on, and demonstrate the results of, effective agricultural production systems that minimize pesticide and nutrient loadings from agrichemicals and animal wastes to surface and ground water. SCS will also provide support to the Corn Belt research effort under the Leadership of ARS.
 - o \$0.3 million is requested to integrate the 1982 and 1987 National Resources Inventory data with agricultural chemical data which will allow further resource analysis and environmental assessments.
- (b) A decrease of \$5,919,738 in technical assistance for existing conservation program operations and the Food Security Act work.

Need for Change. In order to meet overall budget deficit reduction targets for 1990, funding for conservation technical assistance in support of existing conservation programs and the Food Security Act requirements would be reduced by \$5.92 million or about 1.5 percent below the 1989 level. In addition, conservation planning mandated by the Food Security Act of 1985 will be completed by December 31, 1989, and funding for this purpose can be reduced in 1990.

Nature of Change. Program emphasis will continue to be placed on implementing the conservation requirements of the Food Security Act. Technical assistance will be directed to helping producers meet the December 31, 1989, deadline for completing conservation plans on highly erodible lands and to begin installing the required conservation practices. Work on completing a nationwide inventory of wetlands in response to producer concerns about compliance with the Food Security Act swampbuster provisions would continue with completion scheduled for 1991. Assistance for applying conservation practices will be scheduled over the next 4 to 5 years in order to meet the December 31, 1994, deadline for implementing Food Security Act conservation plans. The continued realization of significant productivity improvements and reliance on assistance from conservation districts and the private sector are anticipated in order to meet all Food Security Act requirements and to maintain an acceptable level of assistance to ongoing conservation programs at the proposed funding level. Total Soil Conservation Service

staff years available for Food Security Act work and other conservation activities would be reduced by 248 staff years or 3 percent. Improved productivity could offset the output impact. Conservation treatment would be provided on approximately 65 million acres resulting in about 450 million tons of soil erosion prevented.

- (2) An increase in appropriation (and in available funds) of \$461,000 for soil surveys (\$68,203,000 available in 1989.)

Need for Change. In order to improve the use of digital cartographic base data within the Federal government and to provide a framework for its proper management, the Office of Management and Budget formed the Federal Interagency Cartographic Coordinating Committee on Digital Cartography on April 4, 1983. Later, the Soil Conservation Service was assigned the responsibility for national coordination of digital soils data. Digitization is the process that puts soil survey data, SCS's largest and most basic data base, into a computer readable form for use in automated resource planning and management systems. Soils data that has been digitized can be used more effectively in supporting conservation planning, in analyzing natural resource problems, such as surface and ground water quality, and in considering a broader range of management alternatives. Approximately \$1 million of soil survey funds are currently being spent annually on the digitizing program. About 100 soil surveys have been digitized that meet the national digitizing standard. All new soil surveys initiated by the Service will be digitized as soon as equipment is in place and training is completed. Other Federal agencies and nonfederal entities have indicated interest in and need for digitized soils data from soil surveys published by SCS in prior years. State and local units of government who need soils data sets for computer analysis cannot indefinitely delay their work and are planning to digitize portions of the data themselves to address specific local problems. Without Federal leadership to ensure that the converted data sets conform to the national soils data standards, there would be a duplication of effort and a lost opportunity to develop a national digitized soils data base on a cooperative basis that will serve the needs of all levels of government.

Nature of Change. The additional \$461,000 would provide for equipment upgrades, contracts and coordination to expand current efforts to produce digital cartographic data for the national digitized soils data base. The Soil Conservation Service would provide National leadership in the establishment of standards and technical assistance for soil survey digitization in cooperation with States, universities and other soil survey data users. All new soils maps would be digitized as soon as the equipment and training was completed, and digitizing of ongoing soil surveys would be expedited. The remaining funds would provide for continued soils mapping on about 40 million acres of land.

- (3) An increase in appropriation (and in available funds) of \$1,841,000 for operation of plant materials centers (\$5,494,000 available in 1989.)

Need for change. The Soil Conservation Service operates or provides technical assistance to 26 plant materials centers (PMC). Most of the centers came into existence because there was a recognized need to find permanent low cost vegetative solutions to conservation problems. In cooperation with other Federal and State agencies, the centers have developed over 290 conservation plants and methods for using them. These PMC releases have been essential for the Soil Conservation Service to help land owners and users establish ground cover on CRP lands and meet the conservation requirements of the Food Security Act of 1985.

The PMC's are currently faced with the need to make a significant capital investment in order to protect an existing \$14 million Federal investment in buildings and equipment. Most of these centers have been in existence since the 1950's and nine of them were established in the 1930's. Many of the buildings currently in service have been used well beyond their estimated life based on industry construction standards and are fully depreciated. Based on a complete inventory of all buildings and equipment that was conducted in the spring of 1987, it was found that over a third of these buildings are more than 25 years old, and 20 percent are 50 years old or older. Lack of sufficient funds to replace antiquated buildings and worn out equipment has resulted in an accumulated backlog of nearly \$6 million in buildings and equipment that are fully depreciated and others needing renovation or replacement. Equipment needs average a little over \$103,000 for each PMC. This kind of capital investment simply cannot be financed using annual program funds. Each center has an annual operating budget averaging \$186,000 that is fully committed to meeting program activities for plant materials to address specific conservation needs. A total of about \$300,000 has been available annually for the past several years for upkeep and replacement at all PMC's.

Nature of Change. The additional \$1,841,000 requested would provide for a five-year renovation program at the Soil Conservation Service plant materials centers. Antiquated buildings and worn out equipment would be renovated, repaired and/or replaced on a priority basis. Operating efficiencies would be restored because time and money previously spent on temporary solutions to keep all centers in operation would be used to maintain ongoing plant studies and releases of plant varieties to support conservation programs. Recent technological advances that could not be used at the centers due to inadequate conditions would be implemented over the next five years and urgently needed new plant materials would be provided sooner than is currently possible.

Soil Conservation Service
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1988 AND estimated 1989 and 1990
CONSERVATION OPERATIONS

	1988		1989		1990	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
ALABAMA	\$7,859,145	177	\$8,608,300	188	\$8,781,400	187
ALASKA	1,641,982	31	1,677,400	31	1,711,100	30
ARIZONA	4,403,727	100	4,503,700	99	4,594,300	98
ARKANSAS	8,637,771	205	8,390,300	193	8,559,100	192
CALIFORNIA	12,065,455	273	12,189,500	268	12,434,700	266
COLORADO	11,125,863	277	11,049,900	267	11,272,200	265
CONNECTICUT	1,192,896	26	1,316,200	28	1,342,700	28
DELAWARE	782,693	19	907,300	21	925,500	21
FLORIDA	6,459,003	149	6,540,900	147	6,672,500	146
GEORGIA	9,079,719	215	9,555,600	220	9,747,800	218
HAWAII	2,438,036	48	2,451,400	47	2,500,700	47
IDAHO	7,664,305	169	8,061,700	173	8,223,900	172
ILLINOIS	12,526,069	291	12,824,100	290	13,082,000	288
INDIANA	9,551,178	230	9,849,500	230	10,047,600	229
IOWA	18,757,573	462	18,617,100	445	18,991,600	442
KANSAS	17,090,344	446	16,796,900	425	17,134,800	422
KENTUCKY	9,690,507	276	10,749,100	296	10,965,300	294
LOUISIANA	6,114,199	153	6,515,000	158	6,646,000	157
MAINE	2,341,726	54	2,597,700	59	2,649,900	58
MARYLAND	4,013,693	89	4,287,800	92	4,374,000	91
MASSACHUSETTS	1,919,089	42	1,812,700	39	1,849,200	39
MICHIGAN	7,779,210	167	8,314,200	174	8,481,400	172
MINNESOTA	10,574,598	224	10,942,600	225	11,162,700	224
MISSISSIPPI	8,549,136	227	9,236,700	238	9,422,500	236
MISSOURI	15,531,899	432	15,497,600	418	15,809,300	415
MONTANA	15,645,307	353	15,499,700	340	15,811,500	337
NEBRASKA	12,912,794	346	13,047,600	340	13,310,000	337
NEVADA	2,812,749	63	2,948,600	64	3,007,900	64
NEW HAMPSHIRE	1,561,343	37	1,584,100	36	1,616,000	36
NEW JERSEY	1,984,373	44	2,350,800	51	2,398,100	50
NEW MEXICO	6,519,759	162	6,561,600	158	6,693,600	157
NEW YORK	7,508,657	193	7,712,400	192	7,867,500	191
NORTH CAROLINA	8,724,781	219	9,191,000	224	9,375,900	223
NORTH DAKOTA	10,595,198	262	11,595,500	278	11,828,700	276
OHIO	9,025,283	233	9,093,800	228	9,276,700	227
OKLAHOMA	9,946,349	285	10,651,900	295	10,866,200	293
OREGON	6,455,577	140	6,675,100	141	6,809,400	140
PENNSYLVANIA	7,198,042	182	7,357,000	180	7,505,000	179
PUERTO RICO	2,278,795	60	2,265,900	59	2,311,500	58
RHODE ISLAND	581,791	9	562,900	9	574,200	9
SOUTH CAROLINA	4,927,501	119	5,193,900	121	5,298,400	120
SOUTH DAKOTA	6,559,365	158	7,347,600	172	7,495,400	171
TENNESSEE	8,516,737	205	9,282,600	218	9,469,300	216
TEXAS	28,393,556	715	29,850,200	729	30,450,600	727
UTAH	5,192,459	123	4,965,900	115	5,065,800	114
VERMONT	1,833,384	40	1,819,200	38	1,855,800	38
VIRGINIA	6,971,443	165	7,621,100	176	7,774,400	174
WASHINGTON	7,831,177	179	8,117,200	180	8,280,500	179
WEST VIRGINIA	4,418,584	106	4,463,500	104	4,553,300	103
WISCONSIN	9,109,191	239	9,616,800	245	9,810,200	243
WYOMING	4,740,699	106	4,929,600	106	5,028,800	106
CHESTER NTC	1,610,120	26	1,808,400	28	1,844,800	28
FORT WORTH NTC	11,437,371	194	11,302,300	186	11,529,600	185
LINCOLN NTC	6,690,857	116	9,168,600	153	9,353,000	152
PORTLAND NTC	4,539,448	56	4,786,800	58	4,883,100	57
PACIFIC BASIN	0	0	589,200	7	601,100	7
NATIONL HDQTRS	29,642,642	325	34,135,216	325	34,821,500	324
Total, Available or estimate	\$443,955,153	10,242	\$465,389,216	10,327	\$474,750,000	10,258

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

River Basin Surveys and Investigations

For necessary expenses to conduct research, investigations, and surveys of the watersheds of rivers and other waterways, in accordance with section 6 of the Watershed Protection and Flood Prevention Act approved August 4, 1954, as amended (16 U.S.C. 1006-1009), [~~\$12,051,000~~] \$9,600,000: Provided, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$60,000 shall be available for employment under 5 U.S.C. 3109.

River Basin Surveys and Investigations

Appropriation Act, 1989.....	\$12,051,000
Budget Estimate, 1990.....	9,600,000
Decrease in Appropriation.....	<u>-2,451,000</u>

SUMMARY OF INCREASES AND DECREASES (on basis of appropriation)

Item of Change	1989 Estimated	Program Changes	1990 Estimated
River Basin Surveys:			
1. USDA cooperative studies.....	\$8,502,000	-\$1,729,000	\$6,773,000
2. Flood plain management assistance.....	2,060,000	-419,000	1,641,000
3. Interagency coordination and program formulation.....	1,489,000	-303,000	1,186,000
TOTAL AVAILABLE.....	<u>\$12,051,000</u>	<u>-\$2,451,000</u>	<u>\$9,600,000</u>

PROJECT STATEMENT (On basis of appropriation)

Project	1988 Amount	1988 :Staff: :Years:	1989 estimated Amount	1989 estimated :Staff: :Years:	Decrease	1990 estimated Amount	1990 estimated :Staff: :Years:
River Basin Surveys:							
1. USDA cooperative studies.....	\$8,436,000:	166 :	\$8,502,000:	161 :	\$1,729,000:	\$6,773,000:	125
2. Flood plain mgmt. assistance.....	2,050,000:	41 :	2,060,000:	39 :	-419,000:	1,641,000:	31
3. Interagency coord. and program form...	1,565,000:	29 :	1,489,000:	28 :	-303,000:	1,186,000:	22
Total available or est	<u>\$12,051,000</u>	<u>:236 :</u>	<u>\$12,051,000</u>	<u>:228 :</u>	<u>-\$2,451,000</u>	<u>\$9,600,000</u>	<u>:178</u>

PROJECT STATEMENT (On basis of available funds)

Project	1988 Amount	1988 :Staff: :Years:	1989 estimated Amount	1989 estimated :Staff: :Years:	Decrease	1990 estimated Amount	1990 estimated :Staff: :Years:
River Basin Surveys:							
1. USDA cooperative studies.....	\$8,429,110:	166 :	\$8,502,000:	161 :	-\$1,729,000:	\$6,773,000:	125
2. Flood plain mgmt. assistance.....	2,042,237:	41 :	2,060,000:	39 :	-419,000:	1,641,000:	31
3. Interagency coord. and program form...	1,475,100:	29 :	1,489,000:	28 :	-303,000:	1,186,000:	22
Total direct oblig....	11,946,447:	236 :	12,051,000:	228 :	-2,451,000:	9,600,000:	178
Unobligated balance lapsing.....	(+104,553)	(--)	(--)	(--)	(--)	(--)	(--)
Total available or est	(12,051,000)	(236)	(12,051,000)	(228)	(-2,451,000)	(9,600,000)	(178)
Reimbursable oblig....	637,279:	14 :	900,000:	18 :	-300,000:	600,000:	11
Obligational authority	<u>\$12,583,726:</u>	<u>250 :</u>	<u>\$12,951,000:</u>	<u>246 :</u>	<u>-\$2,751,000:</u>	<u>\$10,200,000:</u>	<u>189</u>

SOURCES OF REIMBURSEMENTS

Project	1988 Actual	1989 estimated	Decrease	1990 estimated
River Basin Surveys:				
USDA cooperative studies.....	\$116,256	\$164,000	-\$55,000	\$109,000
Flood Insurance Studies.....	282,655	420,000	-140,000	280,000
Other Federal Sources.....	62,475	67,000	-22,000	45,000
Other Non-Federal Sources.....	175,893	249,000	-83,000	166,000
Total reimbursements.....	<u>\$637,279</u>	<u>\$900,000</u>	<u>-\$300,000</u>	<u>\$600,000</u>

OUTLAYS

Project	1988 Actual	1989 : estimated	: Decrease	: 1990 estimated
River Basin Surveys:				
1. USDA Cooperative Studies....	\$6,659,850	: \$9,417,000	: -\$2,540,000	: \$6,877,000
2. Floodplain management assistance.....	1,613,573	: 2,282,000	: -616,000	: 1,666,000
3. Interagency coordination and program formulation...	1,165,478	: 1,649,000	: -445,000	: 1,204,000
Total Outlays.....	<u>\$9,438,901</u>	<u>: \$13,348,000</u>	<u>: -\$3,601,000</u>	<u>: \$9,747,000</u>

EXPLANATION OF PROGRAM

The appropriation "River Basin Surveys and Investigations," funds three activities as authorized by Public Law 83-566, as amended. The Department cooperates with other Federal and State agencies in making surveys and investigations of watersheds of rivers and other waterways. Activities include:

1) USDA Cooperatives Studies:

The Department participates in:

- Studies of agricultural and other rural land and water resources within river basins to gather basic data on existing and potential water supplies, present and future land use, current and potential economic development, and existing erosion and sediment problems.
- Studies and investigations are made of agricultural, rural, and upstream water and land resources and problems to determine corrective actions needed and potentials for conservation, use, and development. Evaluations include:
 - Erosion and sediment damage to rural lands and properties,
 - Upstream floodwater damage to rural lands and properties,
 - Maintaining existing drainage of agricultural lands,
 - Agricultural drought problems and potential for water conservation,
 - Agricultural water needs for livestock and domestic use,
 - Forest-based industries,
 - Municipal and industrial water needs.

The planning activity gives consideration to finding alternative combinations of land treatment, structural and nonstructural measures to solve the area's problems, meet the identified needs, and develop the indicated potentials.

2) Floodplain management assistance:

- Is carried out in cooperation with State and local governments,
- Identifies flood hazards on selected floodplain reaches,
- Provides reports which include flood profiles and maps showing areas subject to flooding by select frequency floods,
- Provides information needed by State and local governments to implement land use and floodplain management programs.

3) Interagency Coordination and Program Formulation:

- Provides national policy and program leadership direction to studies of river basins, floodplain management, and Colorado River Salinity activities;
- Provides USDA participation in water policy and program coordination at the National level.
- Provides USDA membership and participation in the activities of three Federal-State Interagency Committees (SEBIAC, PSIAC, AWRBIAC), the Susquehanna and Delaware River Basin Commissions, and other regional entities involved in water and related resource planning and coordination.
- Provides reviews of proposed reports and water projects of other Departments and agencies.

The following tabulation shows the number of surveys and obligations by type of survey for fiscal years 1988, 1989, and 1990.

	1988	1989	1990
1. Surveys in cooperation with State and other Federal agencies:			
a. Surveys in progress, start of year.....	66	74	70
b. Surveys initiated during year.....	19	16	11
c. Surveys worked during year...	85	90	81
d. Surveys completed during year	11	20	12
e. Surveys in progress, end of year.....	74	70	69
Cumulative total surveys initiated.....	318	334	345
Cumulative total surveys completed.....	264	284	296
Total Cost Cooperative Surveys (000's).....	\$8,429	\$8,502	\$6,773
2. Floodplain management assistance program:			
(a) States participating in Flood Plain Mgmt. Studies..	45	45	27
1. Ongoing Studies (BOY).....	64	74	71
2. New Studies.....	32	17	13
3. Completed Studies.....	22	20	13
4. Ongoing Studies (EOY).....	74	71	71
5. Cumulative total completed..	448	468	481
Total Cost Flood Plain Management Studies (000's).....	\$2,042	\$2,060	\$1,641
(b) Reimbursable Flood Insurance Studies (non-add) (000's)...	(\$283)	(\$420)	(\$280)
1. Ongoing Studies (BOY).....	8	12	9
2. New Studies.....	11	5	0
3. Completed Studies.....	7	8	6
4. Ongoing Studies (EOY).....	12	9	3
5. Cumulative Total completed...	488	496	502
3. Interagency coordination and program formulation (000's)....	\$1,475	\$1,489	\$1,186
Total direct obligations (000's)...	<u>\$11,946</u>	<u>\$12,051</u>	<u>\$9,600</u>

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease in appropriation (and in available funds) of \$2,451,000 for the River Basin Surveys and Investigations program (\$12,051,000 available in 1989).

Need for Change. In order to meet overall budget deficit reduction targets for 1990, funding for the River Basin Surveys and Investigations program would be reduced by \$2,451,000 or about 20 percent below the 1989 level.

Nature of Change. Work on ongoing USDA cooperative studies, floodplain management studies and interagency coordination and program formulation would continue at about eighty percent of the current level. New study starts would be initiated only for high priority work or in response to urgent natural resource concerns. Emphasis will be placed on continuing studies underway. No new reimbursable flood insurance studies would be initiated and work on existing studies would be slowed.

Soil Conservation Service
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 and estimated 1989 and 1990
RIVER BASIN SURVEYS AND INVESTIGATIONS

	1988		1989		1990	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
ALABAMA	\$163,974	4	\$171,400	3	\$136,500	3
ALASKA	269,980	3	253,500	3	201,900	3
ARIZONA	180,000	5	202,700	5	161,500	5
ARKANSAS	249,955	5	253,500	5	201,900	4
CALIFORNIA	488,099	11	493,800	10	393,400	9
COLORADO	169,992	3	121,600	2	96,900	1
CONNECTICUT	64,999	2	102,400	3	81,600	2
DELAWARE	125,000	3	86,200	2	68,700	1
FLORIDA	179,967	4	202,700	5	161,500	4
GEORGIA	188,715	3	204,800	3	163,100	2
HAWAII	99,288	2	101,400	2	80,800	1
IDAHO	220,444	3	212,900	3	169,600	2
ILLINOIS	237,463	4	278,900	5	222,200	4
INDIANA	348,782	7	314,200	6	250,300	5
IOWA	299,881	6	304,100	5	242,300	4
KANSAS	229,987	4	233,100	4	185,700	3
KENTUCKY	181,275	4	192,500	4	153,300	3
LOUISIANA	180,000	5	182,500	4	145,400	4
MAINE	74,952	2	91,300	2	72,700	1
MARYLAND	86,001	2	87,200	2	69,500	1
MASSACHUSETTS	51,368	1	100,300	2	79,900	1
MICHIGAN	228,662	6	215,900	5	172,000	4
MINNESOTA	290,000	5	294,000	5	234,200	4
MISSISSIPPI	269,285	6	294,000	6	234,200	5
MISSOURI	370,002	8	364,900	7	290,700	6
MONTANA	240,001	6	234,100	6	186,500	5
NEBRASKA	309,996	7	324,400	7	258,400	5
NEVADA	70,000	0	50,700	0	40,400	0
NEW HAMPSHIRE	259,878	5	120,600	2	96,100	1
NEW JERSEY	40,001	1	81,100	2	64,600	1
NEW MEXICO	109,643	2	111,400	2	88,700	1
NEW YORK	189,947	4	182,500	4	145,400	3
NORTH CAROLINA	237,934	6	243,300	5	193,800	4
NORTH DAKOTA	230,000	6	202,700	5	161,500	4
OHIO	277,700	6	289,900	5	230,900	4
OKLAHOMA	109,916	3	111,400	3	88,700	2
OREGON	67,758	2	70,900	2	56,500	1
PENNSYLVANIA	88,108	1	111,500	1	88,800	1
RHODE ISLAND	24,946	1	41,600	2	33,100	1
SOUTH CAROLINA	220,000	5	212,900	5	169,600	4
SOUTH DAKOTA	0	0	50,700	1	40,400	1
TENNESSEE	237,957	5	223,000	5	177,600	4
TEXAS	279,982	5	283,800	5	226,100	5
UTAH	126,631	2	147,000	2	117,100	1
VERMONT	113,952	3	154,000	4	122,700	3
VIRGINIA	144,967	3	147,000	3	117,100	2
WASHINGTON	231,976	4	245,300	4	195,400	3
WEST VIRGINIA	259,893	4	258,700	4	206,100	3
WISCONSIN	139,999	2	121,600	2	96,900	1
WYOMING	174,998	4	177,400	4	141,300	3
CHESTER NTC	74,347	1	70,900	1	56,500	1
FORT WORTH NTC	341,628	6	304,100	5	242,300	4
LINCOLN NTC	149,996	3	126,700	3	100,900	2
PORTLAND NTC	90,033	2	70,900	2	56,500	1
NATIONL HDQTRS	1,048,840	17	1,069,100	17	851,600	16
FS ALLOCATION	807,349	12	852,000	12	678,700	9
Total available or Estimate	<u>\$11,946,447</u>	<u>236</u>	<u>\$12,051,000</u>	<u>228</u>	<u>\$9,600,000</u>	<u>178</u>

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Watershed Planning

For necessary expenses for small watershed investigations and planning, in accordance with the Watershed Protection and Flood Prevention Act, as amended (16 U.S.C. 1001-1008), [~~\$8,651,000~~] \$7,830,000: Provided, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$50,000 shall be available for employment under 5 U.S.C. 3109.

Watershed Planning

Appropriation Act, 1989.....	\$8,651,000
Budget Estimate, 1990.....	7,830,000
Decrease in Appropriation.....	<u>-821,000</u>

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

Item of Change	1989 Estimated	Program Changes	1990 Estimated
Watershed Planning.....	\$8,651,000	-\$821,000	\$7,830,000

PROJECT STATEMENT
(On basis of appropriation)

	1988	:	1989 estimated	:	1990 estimated
		:	Staff:	:	Staff:
Project	Amount	:	Years:	:	Years:
Watershed Planning....	\$8,651,000:	174	:\$8,651,000:	168	:-\$821,000 : \$7,830,000: 150

PROJECT STATEMENT
(On basis of available funds)

	1988	:	1989 estimated	:	1990 estimated
		:	Staff:	:	Staff:
Project	Amount	:	Years:	:	Years:
Direct Obligations:	:	:	:	:	:
Watershed Planning:	:	:	:	:	:
1. Small watershed	:	:	:	:	:
planning authorized	:	:	:	:	:
by PL-566.....	\$8,595,366	:	174	:	\$8,651,000: 168
Unobligated balance	:	:	:	:	:
lapsing.....	(+55,634):	--	:	--	--
Total available or est	(8,651,000):	(174):	(8,651,000):	(168):	(-821,000): (7,830,000): (150)
Reimbursable oblig....	252,115	:	4	:	400,000: 6
Obligational authority	\$8,847,481	:	178	:	\$9,051,000: 174
		:		:	-\$946,000 : \$8,105,000 : 155

SOURCES OF REIMBURSEMENTS

	1988	:	1989	:	1990
	Actual	:	Estimated	:	Estimated
Within USDA.....	--	:	--	:	--
Other Federal Sources.....	\$56,743:		\$90,000:		\$62,000
Non-federal Sources.....	195,372:		310,000:		213,000
Total reimbursements.....	<u>\$252,115:</u>		<u>\$400,000:</u>		<u>-\$125,000: \$275,000</u>

OUTLAYS

Small watershed planning				
authorized by PL-566.....	\$8,514,714:	\$8,846,000:	-\$901,000:	\$7,945,000

EXPLANATION OF PROGRAM

The appropriation "Watershed Planning," funds activities authorized by the Watershed Protection and Flood Prevention Act (Public Law 83-566), as amended, which relate to planning of individual watershed projects.

The Department makes surveys of proposed small watershed projects and prepares plans in cooperation with local sponsors. The planning activities consist of:

- Cooperation between the Federal Government and State governments and their political subdivisions in assisting local sponsoring organizations develop plans for proposed watershed projects,
- Conducting surveys and investigations to determine the land and water resource problems and opportunities within the watershed,
- Studying alternatives to provide the best combination of land treatment, nonstructural, and structural measures for the protection, conservation, development, management, and utilization of land, water, and related resources,
- Compiling information that is the basis for mutual agreement by the Department, local organizations, and the public concerning the possible alternative solutions which will best meet environmental, social, and economic goals,
- Making environmental assessments concurrently with other planning efforts for every proposed watershed project, and
- Preparing environmental impact statements when applicable and making them available to the public.

The watershed plans:

- Identify the soil and water management problems in the watershed.
- List the steps that have been or are authorized to be taken to alleviate these problems.
- Outline the proposed works of improvement to be installed.
- Itemize the estimated benefits and costs.
- Set out the cost-sharing and operation and maintenance arrangements.
- Present other facts necessary to justify Federal participation in project development.

The following table lists actual and projected progress for small watershed applications, planning, and operations.

<u>Activity</u>	<u>1988 Actual</u>	<u>1989 Estimate</u>	<u>1990 Estimate</u>
1. <u>Application for planning assistance:</u>			
On hand, cumulative, start of year...	2,363	2,377	2,397
Net change during year.....	14	20	20
On hand, cumulative, end of year.....	<u>2,377</u>	<u>2,397</u>	<u>2,417</u>
Consisting of:			
a. Authorized for planning.....	2,066	2,096	2,126
b. Available for planning.....	311	301	291

<u>Activity</u>	<u>1988 Actual</u>	<u>1989 Estimate</u>	<u>1990 Estimate</u>
2. Status of planning:			
Authorized, cumulative, start of year	2,035	2,066	2,096
LESS:			
Suspended or terminated, cumulative, start of year.....	481	487	489
Completed, cumulative, start of year.	<u>1,436</u>	<u>1,462</u>	<u>1,507</u>
SUBTOTAL:			
Planning in process, start of year...	118	117	100
PLUS:			
New authorizations during year.....	31	30	20
LESS:			
Terminated during year.....	6	2	2
Completions during year.....	<u>26</u>	<u>45</u>	<u>40</u>
Planning in process, end of year.....	<u>117</u>	<u>100</u>	<u>78</u>
3. Status of projects operations:			
Uncompleted projects start of year...	740	792	822
Projects approved for operations.....	26	45	40
New construction starts.....	15	20	0

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease in appropriation (and available funds) of \$821,000 for Small Watershed Planning authorized by PL-566 (\$8,651,000 available in 1989).

Need for Change. In order to meet overall budget deficit reduction targets for 1990, funding for the Watershed Planning program would be reduced by 9.5 percent below the 1989 level.

Nature of Change. Planning activities would continue at ninety percent of the current level. Technical assistance in 1990 will be available for high priority work to address important resource issues and concerns. Approximately 40 of the estimated 100 plans underway at the beginning of 1990 would be completed during the year. Priority for new planning starts would be given to plans where local sponsors are willing and able to pay for the costs of measure installation following completion of the plan.

Soil Conservation Service
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 and estimated 1989 and 1990
WATERSHED PLANNING

	1988		1989		1990	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
ALABAMA	\$209,996	5	\$210,200	5	\$195,400	4
ARIZONA	78,829	3	80,100	3	74,500	3
ARKANSAS	174,989	3	176,100	3	163,700	3
CALIFORNIA	426,000	10	435,400	9	404,700	8
COLORADO	29,993	1	145,200	4	135,000	4
CONNECTICUT	33,000	1	95,100	3	88,400	3
DELAWARE	89,996	2	75,000	2	69,700	2
FLORIDA	60,001	2	60,100	2	55,900	2
GEORGIA	87,597	2	90,100	2	83,800	2
HAWAII	188,419	2	160,100	2	148,800	2
IDAHO	34,929	1	39,000	1	36,300	1
ILLINOIS	99,940	2	100,100	2	93,100	2
INDIANA	157,500	2	136,100	2	126,500	2
IOWA	277,934	6	271,200	5	252,100	4
KANSAS	310,934	6	306,300	5	284,700	4
KENTUCKY	138,846	4	116,100	3	107,900	3
LOUISIANA	154,999	4	155,100	4	144,200	3
MAINE	59,937	1	135,100	2	125,600	2
MARYLAND	59,999	2	60,100	2	55,900	2
MASSACHUSETTS	29,983	1	61,100	2	56,800	2
MICHIGAN	77,990	2	78,100	2	72,600	2
MINNESOTA	159,998	4	162,200	4	150,800	3
MISSISSIPPI	123,195	2	118,100	2	109,800	2
MISSOURI	309,999	7	310,200	6	288,400	5
MONTANA	172,000	4	172,100	4	160,000	3
NEBRASKA	288,994	7	289,300	6	268,900	5
NEW HAMPSHIRE	171,924	3	7,000	0	6,500	0
NEW JERSEY	82,000	2	80,100	2	74,500	2
NEW MEXICO	4,930	0	20,000	0	18,600	0
NEW YORK	154,939	3	125,100	2	116,300	2
NORTH CAROLINA	169,977	3	170,200	3	158,200	3
NORTH DAKOTA	85,999	2	90,100	2	83,800	2
OHIO	185,680	4	191,100	4	177,600	3
OKLAHOMA	416,994	9	396,400	8	368,500	7
OREGON	59,311	2	60,100	2	55,900	2
PENNSYLVANIA	51,924	1	65,100	1	60,500	1
PUERTO RICO	59,998	1	60,100	1	55,900	1
RHODE ISLAND	0	0	5,000	0	4,600	0
SOUTH CAROLINA	109,999	3	110,100	3	102,300	3
TENNESSEE	136,988	4	137,100	4	127,400	3
TEXAS	329,875	7	330,400	6	307,100	
UTAH	49,974	1	50,100	1	46,600	1
VERMONT	34,983	1	62,100	2	57,700	2
VIRGINIA	165,623	3	166,200	3	154,500	3
WASHINGTON	109,965	2	85,100	2	79,100	2
WEST VIRGINIA	207,919	4	215,200	4	200,000	3
WYOMING	24,999	1	40,000	2	37,200	2
CHESTER NTC	200,904	2	200,200	2	186,100	2
FORT WORTH NTC	362,522	7	320,300	5	297,800	5
LINCOLN NTC	249,000	3	250,300	3	232,700	3
PORTLAND NTC	597,832	11	610,600	10	567,600	9
NATIONL HDQTRS	502,998	5	537,400	5	499,500	5
FS ALLOCATION	232,112	4	228,000	4	0	0
Total available or Estimate	<u>\$8,595,366</u>	<u>174</u>	<u>\$8,651,000</u>	<u>168</u>	<u>\$7,830,000</u>	<u>150</u>

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Watershed and Flood Prevention Operations

For necessary expenses to carry out preventive measures, including but not limited to research, engineering operations, methods of cultivation, the growing of vegetation, rehabilitation of existing works and changes in use of land, in accordance with the Watershed Protection and Flood Prevention Act approved August 4, 1954, as amended (16 U.S.C. 1001-1005, 1007-1009), the provisions of the Act of April 27, 1935 (16 U.S.C. 590a-f), and in accordance with the provisions of laws relating to the activities of the Department, [~~\$172,373,000~~] \$96,100,000 (of which [~~\$26,271,000~~] \$14,355,000 shall be available for the watersheds authorized under the Flood Control Act approved June 22, 1936 (33 U.S.C. 701, 16 U.S.C. 1006a), as amended and supplemented): Provided, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed [~~\$10,000,000~~] \$7,377,000 shall be available for emergency measures as provided by sections 403-405 of the Agricultural Credit Act of 1978 (16 U.S.C. 2203-2205), and not to exceed \$200,000 shall be available for employment under 5 U.S.C. 3109: [Provided further, That \$7,949,000 in loans may be insured, or made to be sold and insured, under the Agricultural Credit Insurance Fund of the Farmers Home Administration (7 U.S.C. 1931):] Provided further, That not to exceed \$1,000,000 of this appropriation is available to carry out the purposes of the Endangered Species Act of 1973 (Public Law 93-205), as amended, including cooperative efforts as contemplated by that Act to relocate endangered or threatened species to other suitable habitats as may be necessary to expedite project construction.

This change deletes language authorizing the Farmers Home Administration to provide Watershed and Flood Prevention Operations loans from the Agricultural Credit Insurance Fund in FY 1990.

Watershed and Flood Prevention Operations

	Watersheds Authorized by PL-534	Emergency Watershed Operations	Small Watersheds Authorized by PL-566	Total Watersheds and Flood Prevention
Appropriation Act, 1989.....	\$26,271,000	\$10,000,000	\$136,102,000	\$172,373,000
Budget Estimate, 1990.....	14,355,000	7,377,000	74,368,000	96,100,000
Decrease in Appropriation.....	-11,916,000	-2,623,000	-61,734,000	-76,273,000

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

Item of Change	1989 Estimated	Program Changes	1990 Estimated
Watershed and Flood Prevention Operations:			
1. Watershed operations authorized by PL-534.....	\$26,271,000	-\$11,916,000	\$14,355,000
2. Emergency watershed protection operations.....	10,000,000	-2,623,000	7,377,000
3. Small watersheds authorized by PL-566.....	136,102,000	-61,734,000	74,368,000
TOTAL AVAILABLE.....	\$172,373,000	-\$76,273,000	\$96,100,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1988		1989 estimated		Decrease	1990 estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
1. Watershed operations authorized by PL-534:							
(a) Planning.....	\$952,000	20	\$707,000	15	-\$77,000	\$630,000	13
(b) Technical assistance....	13,923,000	293	14,449,000	299	-1,560,000	12,889,000	264
(c) Financial assistance for construction:							
Direct Federal contracting...	9,059,000	--	8,663,000	--	-7,827,000	836,000	--
Payment for contracting by local sponsors	2,257,000	--	2,372,000	--	-2,372,000	--	--
(c) Loan services..	80,000	2	80,000	2	-80,000	--	--
Subtotal, flood prevention.....	26,271,000	315	26,271,000	316	-11,916,000(1)	14,355,000	277
2. Emergency Watershed Protection Operation	13,500,000	66	10,000,000	53	-2,623,000(2)	7,377,000	40
3. Small watersheds authorized by PL-566:							
(a) Technical assistance.....	52,551,000	1,192	52,269,000	1,122	-592,000	51,677,000	1,018
(b) Financial assistance for construction:							
Direct Federal contracting...	46,691,000	--	49,197,000	--	-35,835,000	13,362,000	--
Payment for contracting by local sponsors	36,685,000	--	34,461,000	--	-25,132,000	9,329,000	--
(c) Loan services..	175,000	6	175,000	6	-175,000	--	--
Subtotal, watershed operations.....	136,102,000	1,198	136,102,000	1,128	-61,734,000(3)	74,368,000	1,018
Total, appropriation.	\$175,873,000	1,579	\$172,373,000	1,497	-\$76,273,000	\$96,100,000	1,335

PROJECT STATEMENT
(On basis of available funds)

Project	1988		1989 estimated		Increase or Decrease	1990 estimated	
	Amount	:Staff: :Years:	Amount	:Staff: :Years:		Amount	:Staff: :Years:
1. Watershed operations authorized by PL-534:							
(a) Planning.....	\$926,296:	20:	\$707,000:	15:	-\$77,000:	\$630,000:	13
(b) Technical assistance.....	13,548,135:	293:	14,449,000:	299:	-1,560,000:	12,889,000:	264
(c) Financial assistance for construction: Direct Federal contracting...	7,187,138:	--:	13,182,065:	--:	-12,346,065:	836,000:	--
Payment for con- tracting by local sponsors	2,256,862:	--:	3,602,000:	--:	-3,602,000:	--:	--
(d) Loan services..	80,000:	2:	80,000:	2:	-80,000:	--:	--
Subtotal, flood prevention.....	23,998,431:	315:	32,020,065:	316:	-17,665,065:	14,355,000:	277
2. Emergency Watershed Protection Operation	12,166,150:	66:	19,719,087:	53:	-27,096,087:	7,377,000:	40
3. Small watersheds authorized by PL-566:							
(a) Technical assistance.....	55,968,114:	1,192:	54,999,000:	1,122:	-3,322,000:	51,677,000:	1,018
(b) Financial assistance for construction: Direct Federal contracting...	43,608,017:	--:	54,894,740:	--:	-41,532,740:	13,362,000:	--
Payment for con- tracting by local sponsors	34,708,983:	--:	38,449,000:	--:	-29,120,000:	9,329,000:	--
(c) Loan services..	175,000:	6:	175,000:	6:	-175,000:	--:	--
Subtotal, watershed operations.....	134,460,114:	1,198:	148,517,740:	1,128:	-74,149,740:	74,368,000:	1,018
Total direct obligations.....	170,624,695:	1,579:	200,256,892:	1,497:	-104,156,892:	96,100,000:	1,335
Unobligated balance brought forward.....	(-22,635,587)	--:	(-27,883,892)	--:	+27,883,892:	--:	--
Unobligated balance carried forward.....	(+27,883,892)	--:	--:	--:	--:	--:	--
Appropriation.....	(\$175,873,000)	1,579	(\$172,373,000)	1,497:	(\$-76,273,000)	(\$96,100,000)	1,335

REIMBURSABLE OBLIGATIONS

Project	1988	1989 estimated	Increase	1990 estimated
	Amount : Staff : : Years :	Amount : Staff : : Years :	or Decrease :	Amount : Staff : : Years :
Reimbursable obligations:	:	:	:	:
1. Watershed operations authorized by PL-534:	:	:	:	:
(a) Planning.....	--: --:	--: --:	--:	--: --:
(b) Technical assistance.....	\$189,398: 6:	\$192,000: 6:	-\$32,000:	\$160,000: 4
(c) Financial assistance for construction:	:	:	:	:
Direct Federal contracting...	153,816: --:	108,000: --:	+32,000:	140,000: --
Payment for contracting by local sponsors	--: --:	--: --:	--:	--: --
(d) Loan services..	--: --:	--: --:	--:	--: --
Subtotal, flood prevention.....	343,214: 6:	300,000: 6:	--:	300,000: 4
2. Emergency Watershed Protection Operation	794,692: --:	1,700,000: --:	-700,000:	1,000,000: --
3. Small watersheds authorized by PL-566:	:	:	:	:
(a) Technical assistance.....	235,216: 2:	242,000: 2:	+8,000:	250,000: 2
(b) Financial assistance for construction:	:	:	:	:
Direct Federal contracting...	8,528,462: --:	12,758,000: --:	-2,008,000:	10,750,000: --
Payment for contracting by local sponsors	--: --:	--: --:	--:	--: --
(c) Loan services..	--: --:	--: --:	--:	--: --
Subtotal, watershed operations.....	8,763,678: 2:	13,000,000: 2:	-2,000,000:	11,000,000: 2
Total, reimbursable obligations.....	9,901,584: 8:	15,000,000: 8:	-2,700,000:	12,300,000: 6
Obligational authority.....	\$180,526,279:1,587:	\$215,256,892:1,505:	-\$106,856,892:	\$108,400,000:1,341

SOURCES OF REIMBURSEMENTS

	1988	1989	Decrease	1990
	Actual	estimated		estimated
Within USDA.....	50,361:	75,000:	-13,000:	62,000
Other Federal Agencies.....	313,945:	450,000:	-80,000:	370,000
Non-Federal Sources.....	9,537,278:	14,475,000:	-2,607,000:	11,868,000
Total reimbursements.....	\$9,901,584:	\$15,000,000:	-\$2,700,000:	\$12,300,000

OUTLAYS

	1988	1989	Decrease	1990
	Actual	estimated		estimated
1. Watershed operations authorized by PL-534.....	26,978,000:	27,289,000:	-3,504,000:	23,785,000
2. Emergency Watershed Protection Operations.....	26,980,000:	15,672,000:	-2,410,000:	13,262,000
3. Small watersheds authorized by PL-566.....	130,740,496:	138,819,000:	-19,869,000:	118,950,000
Total Outlays.....	\$184,698,496:	\$181,780,000:	-\$25,783,000:	\$155,997,000

EXPLANATION OF PROGRAM

The appropriation "Watershed and Flood Prevention Operations" funds those activities authorized by the Watershed Protection and Flood Prevention Act, as amended (16 U.S.C. 1001-1005, 1007-1009) and the Flood Control Act, as amended and supplemented (33 U.S.C. 701, 16 U.S.C. 1006a) and Sections 403-405 of the Agricultural Credit Act of 1978 (16 U.S.C. 2203-2205), which relate to installation of individual watershed projects, flood prevention subwatershed projects, and emergency watershed protection. Activities include:

Watershed Operations Authorized by PL-534

The planning criteria, economic justifications, local sponsorship requirements, cost-sharing criteria, and other policies and procedures used in the Flood Prevention Program have been adjusted to generally parallel those of the Watershed Protection Program. The Department helps install watershed improvement measures to reduce flood, sediment, and erosion damages; further the conservation, development, utilization, and disposal of water; further the conservation and proper utilization of land; and to accomplish other measures incorporated in subwatershed work plans. The following table shows the status of subwatershed work plans:

<u>Subwatersheds Status</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
In preconstruction.....	22	19	19
In construction.....	86	91	91
Continuing land treatment.....	65	65	65
Completed construction.....	160	160	160
Feasible, but not started.....	70	68	68
Total subwatersheds.....	<u>403</u>	<u>403</u>	<u>403</u>

Emergency Watershed Protection Operations

Funding authority for FY 1990 is requested under Sections 403-405 of the Agricultural Credit Act of 1978. Funding is for such emergencies for runoff retardation and soil erosion prevention as may be needed to safeguard life and property from floods and the products of erosion on any watershed whenever flood, fire, drought, or any other natural element causes a sudden impairment of the watershed. The Department administers the program by providing technical assistance and arranging with local contractors to install most of the required measures.

Small Watershed Operations Authorized by PL-566

The Department provides technical and financial assistance to local organizations to install the watershed works of improvement for watershed protection, flood prevention, agricultural water management, recreation, and fish and wildlife development, and other authorized features specified in the work plans.

The following table shows the status of PL-566 watershed projects:

<u>Status of Operational Projects</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
Projects in pre-construction end-of-year..	187	212	252
Projects under construction, start of year	397	390	380
New construction starts.....	15	20	0
Less: Projects completed during year.....	27	10	10
Projects continuing land treatment.....	36	31	51
Projects completed, end of year.....	695	705	715
Projects not requiring funds.....	159	159	159
Total operational projects.....	<u>1,462</u>	<u>1,507</u>	<u>1,547</u>

OIG Reports:Completed:

#10097-1-HY

Final Soil Conservation Service Emergency Watershed
12/4/87 Projects in West Virginia.

In Progress:

#10099-8-HY

Administration of Long-Term Contracts Under PL-566

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease in appropriation of \$11,916,000 for Watershed Operations authorized by PL-534 (on the basis of available funds, there is a decrease of \$17,665,065).

Need for Change. In order to meet overall budget deficit reduction targets for 1990, funding for the Flood Prevention program would be reduced by 45 percent below the 1989 level. In order to be consistent with other government water programs, local cost sharing of 25 to 50 percent, with at least 5 percent in cash should be required.

Nature of Change. The proposed reduction would result in no new subwatershed planning being initiated. Ongoing planning would continue at a reduced rate for only those high priority subwatersheds now actively being planned. Available financial assistance funds would be used for contract modifications for the over 100 subwatersheds currently under construction. There are over 30 feasible subwatershed plans for which construction has not been initiated. At this level, no new starts would be initiated and no subwatersheds would be completed. Legislation is being proposed to require local cost sharing at between 25 to 50 percent with at least 5 percent in cash. Also, projects must have at least 20 percent of their benefits be directly related to agriculture or upstream communities.

- (2) A decrease in appropriation of \$2,623,000 for Emergency Watershed Operations (on the basis of available funds, there is a decrease of \$27,096,087).

Need for Change. In order to meet overall budget deficit reduction targets for 1990, funding for the Emergency Watershed program would be reduced by 26 percent below the 1989 level.

Nature of Change. The proposed level of funding would be available to complete contracts signed in prior years and to provide for an immediate response to exigency situations to reduce hazards to life and property in watersheds damaged by severe natural events occurring in 1990.

- (3) A decrease in appropriation of \$61,734,000 for Watershed Operations authorized by PL-566 (on the basis of available funds, there is a decrease of \$74,149,740).

Need for Change. In order to meet overall budget deficit reduction targets for 1990, funding for the Watershed Operations program would be reduced by 45 percent below the 1989 level. In order to be consistent with other government water programs, local cost sharing of 25 to 50 percent, with at least 5 percent in cash should be required.

Nature of Change. The proposed reduction would result in financial assistance for construction activities being restricted to contract modifications and urgently needed work. The reduced construction level will significantly slow the progress for installing already planned and committed work on over 350 projects. No new construction starts would be initiated. The backlog of over 50 projects approved for operation but not started would remain. Legislation is being proposed to require local cost sharing at between 25 to 50 percent with at least 5 percent in cash. Also, projects must have at least 20 percent of their benefits be directly related to agriculture or upstream communities.

Distribution of Funds by Agency for Operating Flood Prevention Projects

	1988	: Brought Forward	: 1989 Appro- priation	: Estimated Obligations	: Budget Estimate
	Obligations:	from 1988	(adjusted):	1989	1990
<u>SOIL CONSERVATION SERVICE</u>	:	:	:	:	:
Buffalo Creek, NY.....	--:	--:	--:	--:	--
Colorado (Middle), Texas..	\$754,183:	--:	\$828,000:	\$828,000:	\$361,047
Coosa, Georgia,	:	:	:	:	:
Tennessee	-1,643:	--:	--:	--:	--
Little Sioux, Iowa.....	2,332,421:	--:	2,587,500:	2,587,500:	1,128,106
Little Tallahatchie, MS..	752,201:	--:	1,654,100:	1,654,100:	721,222
Los Angeles, California...	--:	--:	--:	--:	--
Potomac, MD, PA, VA, and	:	:	:	:	:
W. VA.....	2,091,652:	\$1,099,600:	2,878,400:	3,978,000:	1,734,595
Santa Ynez, California....	178,987:	--:	154,900:	154,900:	67,544
Trinity, Texas.....	4,608,298:	--:	4,444,500:	4,444,500:	1,938,229
Washita, Oklahoma, Texas..	2,922,893:	43,138:	3,006,900:	3,050,038:	1,329,943
Yazoo, Mississippi.....	8,151,436:	4,606,327:	8,296,700:	12,903,027:	5,674,314
Subtotal, SCS.....	21,790,468:	5,749,065:	23,851,000:	29,600,065:	12,955,000
<u>FOREST SERVICE a/</u>	:	:	:	:	:
Little Sioux, Iowa.....	--:	--:	--:	--:	--
Little Tallahatchie, MS...	6,000:	--:	--:	--:	--
Los Angeles, California...	1,142,963:	--:	1,392,000:	1,392,000:	833,000
Potomac, MD, PA, VA, and	:	:	:	:	:
W. VA.....	157,000:	--:	175,000:	175,000:	105,000
Santa Ynez, California....	712,000:	--:	642,000:	642,000:	384,000
Trinity, Texas.....	68,000:	--:	86,000:	86,000:	--
Washita, Oklahoma, Texas	42,000:	--:	45,000:	45,000:	51,000
Yazoo, Mississippi.....	--:	--:	--:	--:	27,000
Subtotal, Forest Service	2,127,963:	--:	2,340,000:	2,340,000:	1,400,000
<u>FARMERS HOME ADMINISTRATION</u>	:	:	:	:	:
Loan Services.....	80,000:	--:	80,000:	80,000:	--
Total, P.L.-534 operations..	\$23,998,431:	\$5,749,065:	\$26,271,000:	\$32,020,065:	\$14,355,000

a/ Forest Service distribution of 1988 obligations are estimated.

PL-566 Project Activity and Obligations

The following table shows the status of Public Law 566 projects by stage of assistance and amounts obligated or estimated to be obligated.

	1988		1989		1990	
	Number	Dollars in Thousands	Number	Dollars in Thousands	Number	Dollars in Thousands
1. Projects approved for operation and estimated cost of completion:						
a. Uncompleted projects at beginning of year	768	1,364,094	767	1,288,466	802	1,209,949
b. Projects approved during year.....	26	58,833	45	70,000	40	40,000
Total.....	794	1,422,927	812	1,358,466	842	1,249,949
2. Status of projects and amounts obligated:						
a. Projects inactive end of year	24	--	22	--	14	--
b. Deauthorized, cumulative.....	135	--	137	--	145	--
c. Projects receiving preconstruction land treatment and engineering services, end of year.....	187	11,812	212	14,900	252	14,000
d. Projects moved into construction during year.....	15	2,720	20	4,000	--	--
e. Prior year projects continuing construction and land treatment.....	370	115,092	380	126,437	370	1,000
f. Projects with construction completed continuing land treatment.....	36	1,305	31	930	51	57,368
g. Projects completed during year.....	27	3,532	10	2,250	10	2,000
Subtotal.....	794	134,461	812	148,517	842	74,368
3. Uncompleted projects (cumulative) at end of year:						
a. Obligations to date.	767	2,122,405	802	2,268,672	832	2,341,040
b. Estimated cost of completion.....	--	1,288,466	--	1,209,949	--	1,175,581
4. Projects completed (cumulative and total cost).....	695	902,338	705	904,588	715	906,588
5. Total projects approved (cumulative and total cost).....	1,462	4,313,209	1,507	4,383,209	1,547	4,423,209
Total (cumulative obligations).....	1,462	3,024,743	1,507	3,173,260	1,547	3,247,628

Soil Conservation Service
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1988 and estimated 1989 and 1990
WATERSHED AND FLOOD PREVENTION OPERATIONS

	1988		1989		1990	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
ALABAMA	\$2,151,403	22	\$2,437,200	22	\$1,169,600	20
ARIZONA	2,269,233	31	4,903,579	27	2,353,100	25
ARKANSAS	5,884,973	51	7,525,700	51	3,611,500	47
CALIFORNIA	5,900,979	36	5,651,900	36	2,712,300	33
COLORADO	254,350	4	1,201,832	3	576,700	3
CONNECTICUT	573,972	12	599,200	13	287,500	11
DELAWARE	724,410	10	672,350	8	322,600	7
FLORIDA	728,501	6	718,300	5	344,700	4
GEORGIA	2,093,864	17	2,211,000	16	1,061,000	15
HAWAII	4,964,038	10	3,546,500	10	1,701,900	9
IDAHO	892,849	6	877,500	6	421,100	5
ILLINOIS	4,954,897	21	3,695,300	20	1,773,300	18
INDIANA	1,847,550	10	1,303,250	9	625,400	8
IOWA	6,551,726	64	6,593,300	53	3,164,000	48
KANSAS	6,083,911	45	5,596,700	39	2,685,800	35
KENTUCKY	1,469,227	14	1,748,400	13	839,000	12
LOUISIANA	3,110,184	41	3,185,700	35	1,528,800	32
MAINE	269,494	7	509,466	6	244,500	5
MARYLAND	300,581	5	203,200	3	97,500	3
MASSACHUSETTS	761,110	12	1,528,500	9	733,500	8
MICHIGAN	1,310,973	14	1,731,000	12	830,700	11
MINNESOTA	3,212,014	20	3,274,786	16	1,571,500	15
MISSISSIPPI	17,542,559	183	29,483,146	199	13,148,500	182
MISSOURI	5,060,600	43	5,710,600	44	2,510,400	40
MONTANA	1,559,153	10	1,107,800	11	531,600	10
NEBRASKA	4,339,790	28	2,905,900	25	1,394,500	23
NEVADA	50,000	0	0	0	0	0
NEW HAMPSHIRE	623,924	7	220,800	5	106,000	4
NEW JERSEY	704,366	12	1,769,950	12	849,400	11
NEW MEXICO	2,966,731	29	10,546,400	28	4,061,000	26
NEW YORK	6,508,155	18	2,095,820	13	1,005,700	11
NORTH CAROLINA	2,720,412	30	2,938,400	29	1,410,100	26
NORTH DAKOTA	2,117,790	4	1,352,400	4	649,000	4
OHIO	2,396,435	22	3,468,249	21	1,664,400	19
OKLAHOMA	11,677,708	111	11,914,100	100	5,117,400	91
OREGON	1,570,085	10	1,404,200	9	673,900	8
PENNSYLVANIA	2,051,689	31	6,179,314	22	2,965,400	20
PUERTO RICO	787,873	4	2,222,200	5	1,066,400	4
RHODE ISLAND	66,901	1	117,900	3	56,600	3
SOUTH CAROLINA	1,475,059	15	1,562,500	13	749,800	11
SOUTH DAKOTA	359,062	2	66,400	1	31,900	1
TENNESSEE	4,351,204	31	4,038,800	29	1,938,200	26
TEXAS	13,978,123	162	15,628,600	146	6,899,900	132
UTAH	2,460,191	7	790,300	7	379,300	6
VERMONT	765,063	8	677,450	6	325,100	5
VIRGINIA	4,096,494	34	4,060,100	31	1,948,400	28
WASHINGTON	2,244,361	17	3,525,400	18	1,691,800	17
WEST VIRGINIA	6,250,665	54	7,945,750	52	3,813,000	47
WISCONSIN	515,770	7	1,410,700	9	677,000	8
WYOMING	65,223	1	112,250	1	53,900	1
CHESTER NTC	1,308,442	25	1,422,400	26	682,600	24
FORT WORTH NTC	2,095,984	44	2,142,200	44	1,019,600	40
LINCOLN NTC	1,164,490	25	1,309,800	27	628,600	25
PORTLAND NTC	1,194,413	19	1,320,200	20	633,500	18
NATIONL HDQTRS	5,810,395	64	7,639,200	64	7,104,000	60
FmHA ALLOCATIO	255,000	8	255,000	8	122,400	0
FS ALLOCATION	3,180,346	55	3,198,000	53	1,534,700	30
Total available or Estimate	<u>\$170,624,695</u>	<u>1,579</u>	<u>\$200,256,892</u>	<u>1,497</u>	<u>\$96,100,000</u>	<u>1,335</u>

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Great Plains Conservation Program

For necessary expenses to carry into effect a program of conservation in the Great Plains area, pursuant to section 16(b) of the Soil Conservation and Domestic Allotment Act, as added by the Act of August 7, 1956, as amended (16 U.S.C. 590p(b)), [\$20,474,000] \$18,623,000 to remain available until expended (16 U.S.C. 590p(b)(7)).

Great Plains Conservation Program

Appropriation Act, 1989.....	\$20,474,000
Budget Estimate, 1990.....	18,623,000
Decrease in Appropriation.....	<u><u>-\$1,851,000</u></u>

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

Item of Change	1989 Estimated	Program Changes	1990 Estimated
Great Plains Conservation Program:			
1. Cost-sharing assistance.....	\$12,229,000	-\$1,851,000	\$10,378,000
2. Cost-share program and contract administration	2,638,000	--	2,638,000
3. Technical assistance.....	5,607,000	--	5,607,000
TOTAL AVAILABLE.....	<u><u>\$20,474,000</u></u>	<u><u>-\$1,851,000</u></u>	<u><u>\$18,623,000</u></u>

PROJECT STATEMENT
(On basis of appropriation)

Project	1988	1989 estimated		1990 estimated		Decrease
	Amount	: Staff:	: Staff:	: Staff:	: Staff:	
		Years:	Years:	Years:	Years:	
Great Plains Conserva-						
tion Program:						
1. Cost-sharing						
assistance.....	\$11,812,000:	--:	\$12,229,000:	--:	-\$1,851,000:	\$10,378,000:
2. Cost-share program						
and contract						
administration....	2,772,000:	70:	2,638,000:	63:	--	2,638,000:
3. Technical						
assistance.....	5,890,000:	145:	5,607,000:	132:	--	5,607,000:
Total available or est	<u><u>\$20,474,000:</u></u>	<u><u>215:</u></u>	<u><u>\$20,474,000:</u></u>	<u><u>195:</u></u>	<u><u>-\$1,851,000:</u></u>	<u><u>\$18,623,000:</u></u>

PROJECT STATEMENT
(On basis of available funds)

Project	1988	1989 estimated		Increase	1990 estimated	
	Amount	: Staff:	: Staff:	or	: Staff:	: Staff:
		Years:	Years:	Decrease	Amount	Years
Direct obligations:						
Great Plains Conserva-						
tion Program:						
1. Cost-sharing						
assistance.....	\$11,812,106:	--:	\$12,286,257:	--:	-\$1,908,257:	\$10,378,000:
2. Cost-share program						
and contract						
administration....	2,797,026:	70:	2,638,000:	63:	--	2,638,000:
3. Technical						
assistance.....	5,943,679:	145:	5,607,000:	132:	--	5,607,000:
Total direct oblig....	<u><u>20,552,811:</u></u>	<u><u>215:</u></u>	<u><u>20,531,257:</u></u>	<u><u>195:</u></u>	<u><u>-1,908,257:</u></u>	<u><u>18,623,000:</u></u>
Unobligated balance						
brought forward.....	(-136,068)	(--)	(-57,257)	(--)	(+57,257)	(--)
Unobligated balance						
carried forward.....	(+57,257)	(--)	(--)	--	(--)	(--)
Adjusted appropriation	<u><u>(20,474,000)</u></u>	<u><u>(215)</u></u>	<u><u>(20,474,000)</u></u>	<u><u>(195)</u></u>	<u><u>(-1,851,000)</u></u>	<u><u>(18,623,000)</u></u>
Reimbursable oblig....	13,458:	--:	60,000:	--:	--	60,000:
Obligational authority	<u><u>\$20,566,269:</u></u>	<u><u>215:</u></u>	<u><u>\$20,591,257:</u></u>	<u><u>195:</u></u>	<u><u>-\$1,908,257:</u></u>	<u><u>\$18,683,000:</u></u>

SOURCES OF REIMBURSEMENTS

Project	1988	1989		Change	1990	
	Actual	: estimated	: estimated		: estimated	: estimated
Federal Sources.....	\$8,534	:	\$19,000	:	--	:
Other Non-Federal Sources.....	4,924	:	41,000	:	--	:
Total reimbursements.....	<u><u>13,458</u></u>	:	<u><u>\$60,000</u></u>	:	<u><u>--</u></u>	:

OUTLAYS

Project	1988 Actual	:	1989 estimated	:	Increase or Decrease	:	1990 estimated
Great Plains Conservation Program:							
1. Cost-sharing assistance.....	\$11,793,115	:	\$12,695,000	:	+\$653,000	:	\$13,348,000
2. Cost-share program and contract administration.....	2,889,476	:	2,651,000	:	-13,000	:	2,638,000
3. Technical assistance.....	6,140,136	:	5,633,000	:	-26,000	:	5,607,000
Total Outlays.....	<u>\$20,822,727</u>	:	<u>\$20,979,000</u>	:	<u>+\$614,000</u>	:	<u>\$21,593,000</u>

EXPLANATION OF PROGRAM

Authorization: The appropriation for "Great Plains Conservation Program" funds Soil Conservation Service activities authorized under Section 16(b) of the Soil Conservation and Domestic Allotment Act (PL 74-46) as amended by PL 84-1021. PL 96-263 amended PL 84-1021 to extend the Great Plains cost-share contracting authority to September 30, 1991.

Authorization limits: Total cumulative appropriations of \$600,000,000 are authorized for cost-sharing. Cost-sharing payment in any one fiscal year may not exceed \$50,000,000. Through September 30, 1988, \$331,782,088 have been paid out in cost-shares.

This program is in addition to other USDA soil and water conservation programs in the counties designated for participation, and is coordinated with programs and objectives of locally managed conservation districts, State agencies, and community groups.

Potential Workload:	<u>Acres (in 000's)</u>
Estimated acreage in the 518 designated counties that could come under Great Plains contracts.....	198,000
Current Activity:	
Land under active contracts as of September 30, 1988.....	15,089

The purpose of the program is to assist farmers and ranchers in using and applying resource management systems on their farms and ranches to prevent or reduce the effects of the climatic hazards of the area. Benefits to be achieved are protection and improvement of soil, water, plant, and wildlife resources through reduction of erosion and sedimentation, and abatement of agriculture-related pollution. A secondary benefit of the program is its impact on stabilizing the local economy. Activities include:

- Cost-sharing assistance - Payments are made to program participants for a share of the cost of installing eligible conservation practices scheduled in contracts, including, among others, terraces, permanent vegetative cover, re-establishing grasslands and pipelines.
- Cost-share programming and contract administration - Soil Conservation Service provides assistance in developing contracts, which include schedules of conservation practices to be applied, and administers contracts.
- Technical assistance - Soil Conservation Service provides assistance to help farmers and ranchers plan, install, and maintain scheduled conservation practices according to standards and specifications.

PROGRAM RESULTS	FY 1988:	FY 1989:	FY 1990
	Actual:	Estimate:	Estimate
Active Contracts - beginning of year.....	5,255:	5,059 :	4,939
New Contracts signed.....Annual	930:	930 :	760
	Cumulative	65,316:	66,246 : 67,006
Contracts Completed and Terminated.....Annual	-1,126:	-1,050 :	-1,000
	Cumulative	60,061:	61,111 : 62,111
Active Contracts - end of year.....	5,059:	4,939 :	4,699
Active applications on hand beginning of year	1,046:	1,589 :	2,000
Active applications on hand end of year.....	1,589:	2,000 :	2,500
Number of participants serviced.....Annual	6,185:	5,989 :	5,699
Acres in new contracts (1,000).....Annual	2,123:	2,123 :	1,735

JUSTIFICATION OF INCREASES AND DECREASES

A decrease in appropriation of \$1,851,000 for the Great Plains Conservation program (on the basis of available funds there is a decrease of \$1,908,257):

Need for change. In order to meet overall budget deficit reduction targets for 1990, funding for the Great Plains Conservation Program would be reduced by \$1,851,000 or about 9 percent below the 1989 level.

Nature of change. The proposed reduction would reduce the number of new contracts signed under the Great Plains Conservation Program by an estimated 170 or 18 percent compared to the 1989 level. Priority would be placed on providing the technical assistance needed to support contracts signed in prior years.

SOIL CONSERVATION SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1988 and Estimated 1989 and 1990
GREAT PLAINS CONSERVATION PROGRAM

STATE	1988		1989		1990	
	AMOUNT	STAFF YEARS	AMOUNT	STAFF YEARS	AMOUNT	STAFF YEARS
COLORADO	\$1,948,955	19	\$1,874,700	17	\$1,688,900	17
KANSAS	2,238,439	19	2,003,850	17	1,818,800	17
MONTANA	1,551,999	17	1,782,057	15	1,594,100	15
NEBRASKA	1,853,998	22	1,925,550	22	1,744,900	20
NEW MEXICO	933,572	11	968,150	10	876,000	10
NORTH DAKOTA	1,369,994	17	1,468,500	15	1,337,000	15
OKLAHOMA	1,655,784	17	1,647,400	15	1,481,000	15
SOUTH DAKOTA	1,862,746	19	1,988,100	17	1,805,000	17
TEXAS	5,332,927	54	5,032,800	49	4,552,900	47
WYOMING	1,185,985	11	1,174,250	10	1,063,300	10
FORT WORTH NTC	30,757		30,200		30,000	
LINCOLN NTC	46,999	1	50,400	1	50,000	1
PORTLAND NTC	43,818		25,200		25,000	
NATIONAL HDQTRS	496,838	8	560,100	7	556,100	7
Total available or estimate	<u>\$20,552,811</u>	<u>215</u>	<u>\$20,531,257</u>	<u>195</u>	<u>\$18,623,000</u>	<u>191</u>

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Resource Conservation and Development

For necessary expenses in planning and carrying out projects for resource conservation and development and for sound land use pursuant to the provisions of section 32(e) of title III of the Bankhead-Jones Farm Tenant Act, as amended (7 U.S.C. 1010-1011; 76 Stat. 607), and the provisions of the Act of April 27, 1935 (16 U.S.C. 590a-f), and the provisions of the Agriculture and Food Act of 1981 (16 U.S.C. 3451-3461), [\$25,120,000]

- 1 \$24,487,000: Provided, [That \$1,207,000 in loans may be insured, or made to be sold and insured, under the Agricultural Credit Insurance Fund of the Farmers Home Administration (7 U.S.C. 1931): Provided further,] That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$50,000 shall be available for employment under 5 U.S.C. 3109.

This change deletes language authorizing the Farmers Home Administration to provide resource conservation and development loans from the Agricultural Credit Insurance Fund in FY 1990 since no funds are requested for this purpose in the FY 1990 budget.

Resource Conservation and Development

Appropriation Act, 1989.....	\$25,120,000
Budget Estimate, 1990.....	24,487,000
Decrease in Appropriation.....	<u>- \$633,000</u>

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

Item of Change	1989 Estimated	Program Changes	1990 Estimated
Resource Conservation and Development:			
1. Technical assistance.....	\$18,330,000	+\$1,727,000	\$20,057,000
2. Financial assistance.....	6,730,000	-2,350,000	4,380,000
Loan services.....	60,000	-10,000	50,000
TOTAL AVAILABLE.....	<u>\$25,120,000</u>	<u>- \$633,000</u>	<u>\$24,487,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	1988		1989 estimated		Increase or Decrease	1990 estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
Resource Conservation and Development:							
1. Technical assistance.....	\$18,094,000	401	\$18,330,000	399	+\$1,727,000	\$20,057,000	397
2. Financial assistance.....	6,966,000	--	6,730,000	--	-2,350,000	4,380,000	--
3. Loan services.....	60,000	2	60,000	2	-10,000	50,000	2
Total available or est	<u>\$25,120,000</u>	<u>403</u>	<u>\$25,120,000</u>	<u>401</u>	<u>- \$633,000(1)</u>	<u>\$24,487,000</u>	<u>399</u>

PROJECT STATEMENT
(On basis of available funds)

Project	1988		1989 estimated		Increase or Decrease	1990 estimated	
	Amount	Staff: Years	Amount	Staff: Years		Amount	Staff: Years
Resource Conservation and Development:							
1. Technical assistance.....	\$19,173,164	401	\$19,825,531	399	+\$ 231,469	\$20,057,000	397
2. Financial assistance.....	5,300,853	--	7,500,025		-3,120,025	4,380,000	--
3. Loan services.....	60,000	2	60,000	2	-10,000	50,000	2
Total direct oblig....	<u>24,534,017</u>	<u>403</u>	<u>27,385,556</u>	<u>401</u>	<u>-2,898,556</u>	<u>24,487,000</u>	<u>399</u>
Unobligated balance brought forward	(-1,679,573)	(--)	(-2,265,556)	(--)	(+2,265,556)	(--)	(--)
Unobligated balance carried forward.....	(+2,265,556)	(--)	(--)	(--)	(--)	(--)	(--)
Appropriation total...	<u>(25,120,000)</u>	<u>(403)</u>	<u>(25,120,000)</u>	<u>(401)</u>	<u>(-633,000)</u>	<u>(24,487,000)</u>	<u>(399)</u>
Reimbursable obligations:							
Resource Conservation and Development:							
(a) Technical assistance.....	89,857	--	40,000	--	--	40,000	--
(b) Financial assistance.....	4,236,656	--	4,560,000	--	--	4,560,000	--
Total reimbursable obligations.....	<u>4,326,513</u>	<u>--</u>	<u>4,600,000</u>	<u>--</u>	<u>--</u>	<u>4,600,000</u>	<u>--</u>
Obligational authority	<u>\$28,860,530</u>	<u>403</u>	<u>\$31,985,556</u>	<u>401</u>	<u>-\$2,898,556</u>	<u>\$29,087,000</u>	<u>399</u>

SOURCES OF REIMBURSEMENTS

Project	1988 Amount	1989 Est. Amount	Change	1990 Est. Amount
Federal Sources.....	\$ 30,996	\$ 33,000	--	\$ 33,000
Non-Federal Sources....	4,295,517	4,567,000	--	4,567,000
Total Reimbursements...	<u>\$4,326,513</u>	<u>\$4,600,000</u>	<u>--</u>	<u>\$4,600,000</u>

OUTLAYSResource Conservation
and Development:

(a) Technical assistance.....	\$16,343,225	\$19,787,000	+\$1,079,000	\$18,708,000
(b) Financial assistance.....	10,744,148	6,979,000	-864,000	6,115,000
(c) Loan services.....	60,000	60,000	-10,000	50,000
Total Outlays.....	<u>\$27,147,373</u>	<u>\$26,826,000</u>	<u>-\$1,953,000</u>	<u>\$24,873,000</u>

EXPLANATION OF PROGRAM

The appropriation "Resource Conservation and Development" funds the activities authorized under Section 32(e) of Title III of the Bankhead-Jones Farm Tenant Act (Public Law 95-210), as amended and the Soil Conservation and Domestic Allotment Act of April 27, 1935, (Public Law 74-46), as amended and the provisions of the Agriculture and Food Act of 1981 (16 U.S.C. 3451-3461). Program assistance provided in authorized RC&D areas includes technical assistance for planning and implementation, financial assistance, and loan services.

Technical Assistance: Staff assistance is provided to local sponsors in the preparation of RC&D area plans for the conservation, development, and utilization of the natural resources in the RC&D area. Staff assistance is also provided to local sponsors in the implementation of their RC&D plans. This includes:

- Assistance with inventories and studies of a measure of areawide scale that directly aid sponsors in achieving their RC&D objectives.
- Assistance in developing plans, designs, layout, and installation of measures eligible for RC&D financial assistance.
- Assistance to sponsors to achieve activities and measures contained in the RC&D plans which are ineligible for RC&D financial assistance.

Financial Assistance: Financial assistance is provided to eligible sponsors to install approved measures. Priority is given to measures related to erosion and sediment control (critical area treatment), flood prevention and farm irrigation, and efficiency in water short areas. Other purposes include soil and water management for control of agriculture-related pollutants, public water-based recreation developments, and public water-based fish and wildlife developments.

MAIN WORKLOAD FACTORS

	1988 Actual	1989 Estimate	1990 Estimate
<u>Status of Authorized RC&D Areas:</u>			
RC&D areas authorized at beginning of year.....	190	190	189
New RC&D areas deauthorized during year.....	0	1	0
RC&D areas authorized at end of year.....	190	189	189
Unserviced applications on hand...	42	44	47
<u>RC&D Measures:</u>			
<u>Financially assisted:</u>			
In Planning (BOY).....	2,235	2,357	2,482
New Plans in Year.....	290	270	250
New Plans Cumulative.....	7,744	8,014	8,264
Plans Completed in Year.....	41	30	25
Plans Completed Cumulative.....	4,055	4,085	4,110
Plans Cancelled in Year.....	127	115	100
Plans Cancelled Cumulative.....	1,332	1,447	1,547
Plans terminated.....	--	--	--
In Planning (EOY).....	<u>2,357</u>	<u>2,482</u>	<u>2,607</u>
Installation Underway (BOY).....	864	685	505
Installation Started in Year....	41	30	30
Installation Started Cumulative..	4,055	4,085	4,110
Installation Completed in Year...	212	200	200
Installation Completed Cumulative	3,284	3,484	3,684
Projects cancelled in year.....	8	10	10
Projects cancelled cumulative....	96	106	116
Projects terminated.....	--	--	--
Installation Underway (EOY).....	<u>685</u>	<u>505</u>	<u>325</u>
<u>Plans Completed, Installation Not Yet Underway:</u>			
Number.....	371	366	360
Cost (\$ in 000's).....	\$83,475	\$82,350	\$81,000
<u>Measures Completed with Other than RC&D Financial Assistance:</u>			
During Year.....	1,091	1,100	1,100
Cumulative.....	22,428	23,528	24,628

Loan Services Assistance: Funds are provided the Farmers Home Administration (FmHA) to service loans made to sponsors from the Agricultural Credit Insurance Fund. Loan services must be provided from Resource Conservation and Development funds because the Agricultural Credit Insurance Fund of the FmHA is not available for such expenses. The workload in FY 1988 consisted of servicing 149 outstanding loans and loan counseling to help local sponsors arrange funding necessary to implement planned financial assistance measures.

Item	1988		1989		1990	
	No.	Actual Amount	No.	Estimated Amount	No.	Estimated Amount
1. Loans obligated during year.....	0	\$0	0	\$0	0	\$0
2. Borrowers outstanding	149	\$16,126,000	149	\$16,126,000	149	\$16,126,000
3. Loans cumulative.....	292	\$29,171,401	292	\$29,171,401	292	\$29,171,401

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease in appropriation of \$633,000 for the Resource Conservation and Development program (on the basis of available funds there is a decrease of \$2,898,556)

Need for Change. In order to meet overall budget deficit reduction targets for 1990, funding for the RC&D program would be reduced by \$633,000 or about 2.5 percent below the 1989 level. The \$24,487,000 proposed funding level in the budget would provide sufficient funds to continue ongoing program activities in fiscal year 1990.

Nature of Change. The Resource Conservation and Development program is a major component of the Department's Rural Development Initiative that was announced in 1987. The Initiative includes refocusing community loan, grant and technical assistance programs to help rural communities improve basic elements, such as water systems and public facilities, that enhance the social, economic and environmental conditions of their rural areas. The Resource Conservation and Development program would provide technical assistance needed to improve the management and conservation of land and water community resources. In fiscal year 1990, staffing for resource conservation and development coordinators would be maintained, funding for resource conservation and development financially assisted measures would be reduced, and financial assistance would be decreased as local sponsors take greater responsibility for securing necessary funding for project measures. Limited financial assistance for RC&D cost-shared measures will be directed primarily to RC&D measures that control erosion, prevent flooding, conserve water, and improve water quality. Additionally, loans would no longer be made under the Farmers' Home Administration Agricultural Credit Insurance Fund account.

SOIL CONSERVATION SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1988 and Estimated 1989 and 1990
RESOURCE CONSERVATION AND DEVELOPMENT

STATE	1988		1989		1990	
	AMOUNT	STAFF YEARS	AMOUNT	STAFF YEARS	AMOUNT	STAFF YEARS
ALABAMA.....	\$609,567	10	\$719,300	10	\$662,886	10
ARIZONA.....	406,063	8	552,100	8	491,398	8
ARKANSAS.....	672,971	13	817,200	13	1,033,801	13
CALIFORNIA.....	440,949	8	449,300	8	377,073	8
COLORADO.....	409,500	7	511,500	7	491,398	7
CONNECTICUT....	287,448	7	298,800	7	198,565	7
DELAWARE.....	118,991	2	132,250	2	113,322	2
FLORIDA.....	218,032	5	310,400	5	297,847	5
GEORGIA.....	1,020,552	8	779,800	7	634,806	7
HAWAII.....	184,688	2	137,000	2	119,339	2
IDAHO.....	597,752	9	576,400	9	481,369	9
ILLINOIS.....	407,561	10	558,000	10	471,341	10
INDIANA.....	577,136	12	674,900	12	641,826	12
IOWA.....	628,928	12	708,450	12	649,849	12
KANSAS.....	558,748	10	614,550	10	489,392	10
KENTUCKY.....	368,425	11	537,900	11	491,398	11
LOUISIANA.....	287,000	4	341,300	4	321,916	4
MAINE.....	508,910	10	469,000	10	457,301	10
MARYLAND.....	405,999	4	454,200	4	290,827	4
MASSACHUSETTS..	332,606	6	270,300	5	240,685	5
MICHIGAN.....	631,569	10	682,756	10	506,441	10
MINNESOTA.....	397,744	9	537,400	9	460,309	9
MISSISSIPPI....	604,118	8	642,300	8	791,398	8
MISSOURI.....	546,999	10	566,800	10	544,549	10
MONTANA.....	484,593	9	477,100	9	384,093	9
NEBRASKA.....	346,995	6	355,800	6	265,756	6
NEVADA.....	72,490	1	135,900	1	111,317	1
NEW HAMPSHIRE..	135,090	2	151,100	2	124,354	2
NEW JERSEY.....	189,852	4	421,200	4	255,727	4
NEW MEXICO.....	439,159	8	540,900	8	515,466	8
NEW YORK.....	541,512	12	669,700	12	569,620	12
NORTH CAROLINA.	542,932	10	661,550	10	541,541	10
NORTH DAKOTA...	501,179	5	571,300	5	481,369	5
OHIO.....	910,210	14	767,100	14	609,735	14
OKLAHOMA.....	1,084,559	13	1,284,700	13	1,039,640	12
OREGON.....	303,123	5	375,300	5	329,939	5
PENNSYLVANIA...	454,740	9	608,700	9	536,526	9
PUERTO RICO....	121,725	2	176,400	2	165,471	2
RHODE ISLAND...	88,184	2	115,600	2	108,308	2
SOUTH CAROLINA.	426,083	9	482,500	9	441,255	9
SOUTH DAKOTA...	624,922	10	620,200	10	494,406	10
TENNESSEE.....	505,866	8	651,000	8	490,395	8
TEXAS.....	986,608	11	1,198,400	11	989,816	11
UTAH.....	333,786	7	395,100	7	333,950	7
VERMONT.....	227,958	4	236,400	4	231,659	4
VIRGINIA.....	263,464	7	245,100	7	237,676	7
WASHINGTON.....	319,984	4	263,800	4	662,886	4
WEST VIRGINIA..	549,174	12	607,050	12	550,566	12
WISCONSIN.....	304,149	5	378,500	5	405,153	5
WYOMING.....	329,999	7	370,450	7	327,933	7
CHESTER NTC....	59,648	1	53,900	1	50,143	1
FORT WORTH NTC.	136,191	2	121,700	2	109,311	2
LINCOLN NTC....	126,396	3	119,500	3	109,311	3
PORTLAND NTC...	72,915	1	64,800	1	60,171	1
NATIONAL HDQTRS	982,208	11	1,096,900	11	868,471	10
FMHA ALLOCATION	60,000	2	60,000	2	60,000	2
FS ALLOCATION..	786,067	2	766,000	2	766,000	2
TOTAL Available or Estimate	\$24,534,017	403	\$27,385,556	401	\$24,487,000	399

Passenger Motor Vehicles

Passenger motor vehicles of the Soil Conservation Service are distributed among 50 State Offices and Puerto Rico, 230 area offices, and various technical specialists located at field headquarters. None of these vehicles are used in Washington, D.C. Vehicles are used in rural and other areas where common carrier facilities are either non-existent, uneconomical, or inadequate. The nature of the travel requires a high degree of mobility with frequent stops at field offices, job sites, and other places not serviced by common carrier. Resident technicians servicing farmers and ranchers in conservation districts use pickup trucks rather than passenger vehicles.

Passenger motor vehicles are generally assigned to an office location and not exclusively to one individual. This allows several employees to rely on the use of a single vehicle, thus maximizing utilization, and minimizing the number of vehicles needed.

On September 30, 1988, the Soil Conservation Service had 2,279 passenger vehicles in a total fleet of 12,422 vehicles. The fleet includes pickup trucks, sedan deliveries (light trucks), jeeps, and heavy trucks.

Replacement of Passenger Motor Vehicles. The fiscal year 1990 estimates provide for the replacement of 400 passenger motor vehicles during the fiscal year. The vehicles proposed for replacement are driven more than 60,000 miles or are more than 6 years of age or would be beyond economic repair due to accident or other causes.

SCS is continuing a sound and effective replacement program. During fiscal year 1988, 212 replacements were purchased. Economy of operation and expected use factors are taken into consideration as well as prescribed age and mileage standards in planning replacements.

Age and mileage data for Soil Conservation Service passenger motor vehicles on hand September 30, 1988, are as follows:

AGE DATA			MILEAGE DATA		
Model	Number of Vehicles	Percent of Total	Lifetime Mileage (Thousands)	Number of Vehicles	Percent of Total
1983 and older	1,121	60.5	80 to over 100	232	11.5
1984	306	13.4	60-80	471	23.3
1985	177	7.8	40-60	668	33.1
1986	150	6.6	20-40	399	19.7
1987	107	4.7	Under 20	251	12.4
1988	160	7.0		2,021	100.0
TOTAL	2,021	100.0			

RURAL ELECTRIFICATION ADMINISTRATION

Purpose StatementRural Electrification Administration

The Rural Electrification Administration (REA) was established by Executive Order 7037 on May 11, 1935, to provide loan funds to eligible borrowers for the purpose of extending central station electric service to unserved persons in rural areas. Statutory provision for the agency was made in the Rural Electrification (RE) Act of May 20, 1936; and on July 1, 1939, under Reorganization Plan II, REA became a part of the Department of Agriculture. On October 28, 1949, the purpose of REA was expanded by Public Law 423, which amended the Act to authorize loans for furnishing telephone service to rural areas.

Public Law 93-32, enacted May 11, 1973, amended the Rural Electrification Act of 1936, as amended, by establishing a "Rural Electrification and Telephone Revolving Fund" (RETRF) for the purpose of making insured loans to REA electric and telephone borrowers. Loans made under this authority bear either 2 or 5 percent interest in accordance with criteria specified in the Act, and have a maturity not to exceed 35 years. The Act also authorized REA to guarantee loans made by other lenders at rates and terms agreed upon between the lender and the borrower. The Rural Electrification and Telephone Revolving Fund legislation contains the following statement of Congressional intent regarding the REA programs:

... it is hereby declared to be the policy of the Congress that adequate funds should be made available to rural electric and telephone systems through direct, insured and guaranteed loans at interest rates which will allow them to achieve the objectives of the Rural Electrification Act of 1936, as amended; and that such rural electric and telephone systems should be encouraged and assisted to develop their resources and ability to achieve the financial strength needed to enable them to satisfy their credit needs from their own financial organizations and other sources at reasonable rates and terms consistent with the loan applicant's ability to pay and achievement of the Act's objectives.

In October 1976, Public Law 94-570 amended the Act, changing the statutory criteria used in determining eligibility for the special interest rate (2 percent) insured loans. The change in criteria corrected unintended inequities resulting from P.L. 93-32, to bring the number of borrowers eligible for the special rate more in line with Congressional intent and with borrowers' actual needs for loan funds at this rate.

On August 13, 1981, the Omnibus Budget Reconciliation Act, Public Law 97-35, was signed into law to further amend the RE Act. This legislation changed the Act by eliminating the special 2 percent interest rate on insured loans from the RETRF. However, it did provide that the Administrator may make insured loans at a rate less than 5 percent, but not less than 2 percent, if the borrower has experienced extreme financial hardship, or cannot provide service consistent with the objectives of the Act without charging rates so high that a substantial disparity results between such rates and those charged for similar services in the same or nearby areas by other suppliers.

On December 21, 1987, the Omnibus Budget Reconciliation Act of 1987, Public Law 100-203, amended the Act to establish a Cushion of Credit Payment Program whereby borrowers are encouraged to make voluntary deposits into their cushion of credit account. This amendment provided that a Rural Economic

Development Subaccount be maintained in the Rural Electrification and Telephone Revolving Fund. This subaccount will be credited a sum determined by multiplying the outstanding cushion of credit payments made after October 1, 1987, by the difference between the average weighted interest rate paid on outstanding Certificates of Beneficial Ownership issued by the Fund and the 5 percent rate of interest provided to borrowers on cushion of credit payments. The Administrator is authorized to utilize the funds in the subaccount to make zero interest loans and grants to borrowers for the purpose of promoting rural economic development and job creation projects.

As of September 30, 1988, REA employed a total of 526 full-time permanent employees, 4 part-time permanent employees, and 4 other employees. The field staff consisted of 114 permanent full-time employees located throughout the United States. These employees utilize their homes as their offices. REA maintains no field offices. The Washington staff was composed of 412 full-time permanent, 4 part-time permanent employees and 4 other employees.

Rural Telephone Bank

Public Law 92-12, approved May 7, 1971, amended the Rural Electrification Act of 1936, as amended, to establish the Rural Telephone Bank as a supplemental source of financing for the growing capital needs of rural telephone systems. Public Law 92-324, approved June 30, 1972, further amended the Act to permit the Secretary of the Treasury to purchase the Bank's debentures.

Public Law 93-32 made additional amendments to the Act and provided for Bank borrowing authority of 20 times its paid-in capital and retained earnings. It also required that the Bank charge a single interest rate, based on the average cost of money to the Bank, but not less than 5 percent per annum. Bank loans must be fully amortized over a period not to exceed 50 years. Most loans have been made for a 35-year period.

Public Law 100-203, approved December 22, 1987, authorized the prepayment of Rural Telephone Bank loans at face value without a prepayment premium during fiscal year 1988. The legislation also established a formula for determining interest rates on Rural Telephone Bank loans, defined the interest rate to be considered for purposes of assessing eligibility for loans, and established in the Bank a reserve for losses due to interest rate fluctuations.

The Rural Telephone Bank is managed by a 13-member board of directors. The Administrator of REA serves as Governor of the Bank until conversion to private ownership, control, and operation, which will take place when 51 percent of the Class A Stock issued to the United States and outstanding at any time after September 30, 1995, has been fully redeemed and retired. The Bank board holds at least four regularly scheduled meetings a year. Activities of the Bank are carried out by REA and the Office of the General Counsel employees.

Through fiscal year 1988, \$506.0 million in Bank capitalization had been made available through the purchase by the United States of the Rural Telephone Bank's Class A Stock. Although the RE Act had originally set the maximum Government contribution at \$300 million, the Farm Bill of 1981 amended the RE Act to permit continued Class A stock purchases in annual amounts not to exceed \$30 million, through fiscal year 1991, with total purchases not to exceed \$600 million.

Rural Communication Development Fund

The Rural Development Insurance Fund (RDIF) was established on October 1, 1972, pursuant to section 116 of the Rural Development Act of 1972 (Public Law 92-419) approved August 30, 1972. The Rural Communication Development Fund (RCDF), a separate account of the RDIF, was established pursuant to Secretary's Memorandum No. 1988 approved May 22, 1979. This action

transferred certain financing authorities under the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) from the Farmers Home Administration (FmHA) to the Rural Electrification Administration for the purpose of financing the construction of community antenna television services or facilities in rural areas. The RCDF was set up to insure or guarantee loans for community antenna television services or facilities to both cooperatives and commercial borrowers. The program was authorized to utilize the Community Facility authority and the Business and Industrial authorities of the Rural Development Act of 1972.

During fiscal years 1979 and 1980, loan guarantees and administrative costs were funded from amounts authorized for or originally appropriated to FmHA. Since fiscal year 1980, all applicable administrative costs have been provided for in the REA Salaries and Expenses appropriation. Loan authority made available is provided for separately under the Rural Communication Development Fund.

In 1981, it was determined that sufficient capital was available from private investors and that the activity could be more appropriately financed by the private sector. REA continues to administer the existing program by making advances on previous loans and performing debt servicing. The last loan approved or guaranteed under this authority was in fiscal year 1981.

RURAL ELECTRIFICATION ADMINISTRATION

Available Funds and Staff-Years1988 Actual and Estimated, 1989 and 1990

Item	1988		1989		1990	
	Actual		Estimated		Estimated	
	Amount	Staff: Years	Amount	Staff: Years	Amount	Staff: Years
Loan Authorizations:						
Rural Electrification:						
Insured loans.....	\$622,050,000:	--	\$622,050,000:	--	--	--
Loan guarantees (FFB)....	774,672,000:	--	813,450,000:	--	--	--
Total, electric loans.....	1,396,722,000:	--	1,435,500,000:	--	--	--
Rural Telephone:						
Insured loans.....	193,411,000:	--	239,250,000:	--	--	--
Loan guarantees (FFB)....	--	--	119,625,000:	--	--	--
Total, telephone loans.....	193,411,000:	--	358,875,000:	--		
Rural Telephone Bank Loans.	80,139,150:	--	177,045,000:	--	\$125,000,000:	--
Total, REA & RTB Loan Authorizations.....	1,670,272,150:	--	1,971,420,000:	--	125,000,000:	--
Appropriated Funds:						
Salaries and Expenses.....	30,713,000:	518:	31,124,000:	547:	30,862,000:	530
Office of Administrator....	155,000:	2:	160,000:	2:	--	--
Reimbursement to the revolving fund for interest subsidies and losses.....	327,675,000:	--	341,000,000:	--	--	--
Purchase of Capital Stock..	28,710,000:	--	28,710,000:	--	--	--
Rural Economic Development Loans and Grants.....	--	--	540,000:	--	--	--
Rural Communication Development Fund.....	1,309,000:	--	1,447,000:	--	1,329,000:	--
Total, Appropriated Funds....	388,562,000:	520:	402,981,000:	549:	32,191,000:	530
Other Federal Funds:						
Federal Financing Bank.....	--	--	40,000:	1:	40,000:	1
Total, Rural Electrification Administration, Rural Telephone Bank.....	2,058,834,150:	520:	2,374,441,000:	550:	157,231,000:	531
Full-time Equivalent Staff-Years	1988 Actual		1989 Estimated		1990 Estimated	
Ceiling.....	520		550		531	
Non-ceiling.....	--		--		--	
Total.....	520		550		531	

RURAL ELECTRIFICATION ADMINISTRATION

Permanent Positions by Grade and Staff-Year Summary

1988 and Estimated 1989 and 1990

Grade	1988			1989			1990		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
Executive Level V	1	--	1	1	--	1	1	--	1
ES-5	1	--	1	1	--	1	1	--	1
ES-4	1	--	1	1	--	1	1	--	1
ES-3	1	--	1	1	--	1	1	--	1
GS/GM-15	14	--	14	15	--	15	15	--	15
GS/GM-14	51	--	51	51	--	51	51	--	51
GS/GM-13	93	103	196	93	112	205	84	112	196
GS-12	55	8	63	58	8	66	55	8	63
GS-11	30	3	33	33	5	38	30	5	35
GS-10	1	--	1	1	--	1	1	--	1
GS-9	24	--	24	25	--	25	24	--	24
GS-8	13	--	13	13	--	13	13	--	13
GS-7	38	--	38	38	--	38	36	--	36
GS-6	27	--	27	27	--	27	26	--	26
GS-5	28	--	28	28	--	28	28	--	28
GS-4	20	--	20	20	--	20	20	--	20
GS-3	12	--	12	12	--	12	12	--	12
GS-2	2	--	2	6	--	6	6	--	6
GS-1	--	--	--	--	--	--	--	--	--
Ungraded Positions	1	--	1	1	--	1	1	--	1
Total Permanent Positions.....	413	114	527	425	125	550	406	125	531
Staff-Years:									
Ceiling.....	406	114	520	425	125	550	406	125	531
Non-Ceiling.....	--	--	--	--	--	--	--	--	--
TOTAL	406	114	520	425	125	550	406	125	531

RURAL ELECTRIFICATION ADMINISTRATION

Classification by Objects1988 and Estimated 1989 and 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Personnel Compensation:			
Headquarters.....	\$14,525,901	\$15,437,000	\$14,599,000
Field.....	<u>5,494,025</u>	<u>6,157,000</u>	<u>6,223,000</u>
Total personnel compensation.....	20,019,926	21,594,000	20,822,000
12 Personnel benefits.....	2,931,428	3,317,000	3,255,000
13 Benefits to Former Personnel.....	<u>9,064</u>	<u>11,000</u>	<u>11,000</u>
Total, Personnel Compensation and Benefits..	<u>22,960,418</u>	<u>24,922,000</u>	<u>24,088,000</u>
Other Objects:			
21 Travel.....	1,701,524	2,027,000	2,278,000
22 Transportation of things.....	52,238	53,000	57,000
23.2 Communications, Utilities and Other Rent	678,819	975,000	973,000
24 Printing and reproduction.....	265,976	324,000	348,000
25 Other services.....	1,091,541	1,720,000	1,995,000
26 Supplies and materials.	287,303	491,000	531,000
31 Equipment.....	2,212,654	772,000	592,000
43 Interest and dividends	<u>599</u>	<u>--</u>	<u>--</u>
Total, Other Objects...	<u>6,290,654</u>	<u>6,362,000</u>	<u>6,774,000</u>
Total, Direct Obligations..	<u>29,251,072</u> a/	<u>31,284,000</u> b/	<u>30,862,000</u>

Position Data:

Average Salary, ES positions.....	\$73,603	\$73,603	\$73,603
Average Salary, GS positions.....	\$37,522	\$38,920	\$38,858
Average Grade, GS positions.....	10.75	10.73	10.71

a/ Actual obligations include Salaries and Benefits of \$118,313 and \$8,573 in travel expenses for Office of the Administrator.

b/ Total obligations include Salaries and Benefits of \$142,000 and \$18,000 in travel expenses for Office of the Administrator.

RURAL ELECTRIFICATION ADMINISTRATION

To carry into effect the provisions of the Rural Electrification Act of 1936, as amended (7 U.S.C. 901-950 (b)), as follows:

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets; new material underscored):

Rural Electrification and Telephone Revolving Fund Loan Authorizations

[Insured loans pursuant to the authority of section 305 of the Rural Electrification Act of 1936, as amended (7 U.S.C. 935), shall be made as follows: rural electrification loans, not less than \$622,050,000 nor more than \$933,075,000; and rural telephone loans, not less than \$239,250,000 nor more than \$311,025,000; to remain available until expended: Provided, that loans pursuant to section 306 of that Act are in addition to these amounts but during 1989 total commitments to guarantee loans pursuant to section 306 shall be not less than \$933,075,000 nor more than \$2,100,165,000 of contingent liability for total loan principal: Provided further, That as a condition of approval of insured electric loans during fiscal year 1989, borrowers shall obtain concurrent supplemental financing in accordance with the applicable criteria and ratios in effect as of July 15, 1982: Provided further, That no funds appropriated in this Act may be used to deny or reduce loans or loan advances based upon a borrower's level of general funds.]

This change deletes the language authorizing insured REA loans and guarantee of FFB loans. The Administration will propose legislation to provide 90 percent REA guarantee of power supply loans and 70 percent guarantee of telephone loans made by the private sector. Electric distribution borrowers will receive a variable guaranteed percentage based on established criteria.

DEPARTMENTAL OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

Rural Electrification and Telephone Revolving Fund

Loan Authorizations - Current Law

	<u>Loan Authorization</u>
<u>Electrification Loans:</u>	
<u>Insured Loan, RETRF:</u>	
Appropriation Act, 1989	\$622,050,000
Budget Estimate, 1990 a/	--
Change	<u>-622,050,000</u>
<u>Insured Loans, FFB</u>	
Appropriation Act, 1989	813,450,000
Budget Estimate, 1990 a/	--
Change	<u>-813,450,000</u>
Decrease From 1989	<u>-1,435,500,000</u>
<u>Telephone Loans:</u>	
<u>Insured Loans, RETRF:</u>	
Appropriation Act, 1989	239,250,000
Budget Estimate, 1990 a/	--
Change	<u>-239,250,000</u>
<u>Insured Loans, FFB</u>	
Appropriation Act, 1989	119,625,000
Budget Estimate, 1990 a/	--
Change	<u>-119,625,000</u>
Decrease From 1989	<u>-358,875,000</u>
Total Decrease, RETRF	<u>-1,794,375,000</u>

a/ These estimates do not reflect legislation proposed for later transmittal to shift from insured REA loans and guarantee of FFB loans to 90 percent guarantee of power supply loans and 70 percent guarantee of telephone loans made by the private sector. Electric distribution loans will have a variable guarantee percentage based on established criteria. Private-sector loans with partial REA guarantees are estimated at \$1,000,000,000 for electric distribution loans, \$100,000,000 for telephone loans, and \$265,000,000 for power supply loans.

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of loan authorizations)

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Change</u>	<u>1990 Estimated</u>
<u>Rural Electrification Program:</u>			
Insured Loans, RETRF.....	\$622,050,000	-\$622,050,000	--
Insured Loans, FFB.....	813,450,000	-813,450,000	--
Total	<u>1,435,500,000</u>	<u>-1,435,500,000</u>	<u>--</u>
<u>Rural Telephone Program:</u>			
Insured Loans, RETRF.....	239,250,000	-239,250,000	--
Insured Loans, FFB.....	119,625,000	-119,625,000	--
Total	<u>358,875,000</u>	<u>-358,875,000</u>	<u>--</u>
TOTAL, LOAN AUTHORIZATION	<u>1,794,375,000</u>	<u>-1,794,375,000</u>	<u>--</u>

PROJECT STATEMENT - CURRENT LAW
(On basis of loan authorizations)

Project	: 1988 Actual	: 1989 Estimated:	Decrease	: 1990 Estimated
1. Rural Electrifi-	:	:	:	:
cation Loans:	:	:	:	:
Insured Loans,	:	:	:	:
RETRF.....	\$622,050,000:	\$622,050,000:	-\$622,050,000(1):	--
Insured Loans,	:	:	:	:
FFB.....	774,672,000:	813,450,000:	-813,450,000(2):	--
Total	1,396,722,000:	1,435,500,000:	-1,435,500,000	--
2. Rural Telephone	:	:	:	:
Loans:	:	:	:	:
Insured Loans,	:	:	:	--
RETRF.....	193,411,000:	239,250,000:	-239,250,000(3):	--
Insured Loans,	:	:	:	:
FFB.....	-- :	119,625,000:	-119,625,000(4):	--
Total	193,411,000:	358,875,000:	-358,875,000	--
Total estimated	:	:	:	:
obligations....	1,590,133,000:	1,794,375,000:	-1,794,375,000	--

EXPLANATION OF ELECTRIC AND TELEPHONE LOAN PROGRAM

The loan authorizations of the Rural Electrification Administration are used to carry out the provisions of the Rural Electrification Act of 1936, as amended. The objectives of the program are to provide low interest loans to borrowers that produce and distribute electricity and provide telephone service. REA administers the rural electrification program, which provides loans to borrowers that distribute electricity to farms and other retail users; and the rural telephone program, which furnishes and improves telephone service in rural areas.

Legislation will be proposed to provide 90 percent REA guarantees of power supply loans and 70 percent of telephone loans made by the private sector. Electric distribution borrowers will receive a variable guarantee percentage based on established criteria to measure financial need and other factors. Guarantees will be targeted to borrowers with the greatest need for Federal assistance.

Electrification Program Statistics
(Dollars in thousands)

	Cumulative Thru FY 1988 Actual	Cumulative Estimates	
		FY 1989	FY 1990
REA financed loans.....	\$20,420,022	\$21,042,072	\$21,042,072
REA funds advanced.....	18,864,356	19,514,356	20,021,356
REA unadvanced funds, end of year.	1,555,666	15,527,716	1,020,716
REA principal repaid.....	7,099,513	7,476,807	7,861,233
REA interest paid.....	6,003,567	6,481,386	6,978,541
FFB financed loans.....	29,587,875	30,401,325	30,401,325
Consumers served-calendar			
year (thousand-estimated) 1/...	11,896	12,166	12,436
Miles energized-calendar			
year (thousand-estimated) 1/...	2,164	2,204	2,244
Number of borrowers.....	964	963	963

Telephone Program Statistics
(Dollars in thousands)

	Cumulative Thru FY 1988 Actual	Cumulative	Estimates
		FY 1989	FY 1990
REA financed loans.....	\$5,512,527	\$5,751,777	\$5,751,777
REA funds advanced	4,665,273	4,885,273	5,093,273
REA unadvanced funds, end of year....	847,254	866,504	658,504
REA principal repaid	1,540,195	1,654,901	1,771,775
REA interest paid	1,290,267	1,403,048	1,520,393
FFB financed loans.....	664,391	784,016	784,016
Route miles of line constructed or improved-(thousand-estimated) <u>2/</u>	886	895	904
Dial subscribers, new and improved service-calendar year (thousands-estimated) <u>2/</u>	5,155	5,305	5,455
Number of borrowers.....	920	920	920

1/ Data represents accomplishments from all sources of funds.

2/ Data represents accomplishments from borrowers financed 20% or more by REA, RTB, and guaranteed loans.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease of \$622,050,000 in insured electric loans from the RETRF (\$622,050,000 available in 1989).

Need for change. Many REA borrowers are financially secure and can borrow in private credit markets to meet their capital needs. The original goals of the REA program are largely accomplished. (See proposed legislation, page 11-11).

Nature of Change. The Administration's proposal to shift to a guarantee of private-sector loans with a variable guarantee percentage will replace the REA electric insured loan program. (See proposed legislation, page 11-11).

- (2) A decrease of \$813,450,000 in FFB financed direct electric loans guaranteed by REA (\$813,450,000 available in 1989).

Need for change. This decrease will reduce Federal involvement in general credit activities and shift borrowers to the private sector.

Nature of change. The level of FFB financed direct electric loans guaranteed by REA is reduced to reflect the Administration's proposal to guarantee 90 percent of private-sector loans for power supply. (See proposed legislation, page 11-11).

- (3) A decrease of \$239,250,000 in insured telephone loans from the RETRF (\$239,250,000 available in 1989).

Need for change. Many telephone borrowers have excellent credit ratings and can obtain private-sector financing. Some borrowers are subsidiaries of large holding companies which are well established and financially secure. (See proposed legislation, page 11-11).

Nature of change. The Administration proposes to shift from direct loans to 70 percent guarantees of private-sector loans. (See proposed legislation below.)

- (4) A decrease of \$119,625,000 in FFB financed direct telephone loans guaranteed by REA (\$119,625,000 available in 1989).

Need for change. This decrease will reduce Federal involvement in general credit activities and shift borrowers to the private sector.

Nature of change. The level of FFB financed direct telephone loans guaranteed by REA is reduced to reflect the Administration's proposal to shift to a guarantee of private-sector loans with a 70 percent REA guarantee. (See proposed legislation below.)

RURAL ELECTRIFICATION TELEPHONE REVOLVING FUND -
PROPOSED LEGISLATION

Budget Estimate, Current Law, 1990.....	--
Changes due to proposed legislation.....	+\$1,365,000,000
Net Request, President's 1990 Budget Request.....	<u>1,365,000,000</u>

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

<u>Item of Change</u>	<u>Current Law</u>	<u>1990 Program Change</u>	<u>President's Request</u>
Rural Electrification Program:			
Insured loans, RETRF.....	--	--	--
Insured loans, FFB	--	--	--
Guaranteed private-sector loans.....	--	+\$1,265,000,000	\$1,265,000,000
Total.....	--	<u>+1,265,000,000</u>	<u>1,265,000,000</u>
Rural Telephone Program:			
Insured loans, RETRF.....	--	--	--
Insured loans, FFB.....	--	--	--
Guarantee private-sector loans.....	--	+100,000,000	100,000,000
Total	--	<u>100,000,000</u>	<u>100,000,000</u>
Total, loans	<u>--</u>	<u>+1,365,000,000</u>	<u>1,365,000,000</u>

EXPLANATION OF PROPOSED LEGISLATION

The Rural Electrification Administration has been providing a 100 percent guarantee of FFB loans to electric and telephone borrowers. This proposal would replace REA insured loans and REA guarantees of FFB loans with REA guarantees of private-sector loans. REA guarantee commitment would be reduced to 70 percent of telephone loans and 90 percent of power supply loans. Electric distribution loans would be changed to a variable guaranteed percentage based on established criteria to measure financial need and other factors. Guarantees will be targeted to borrowers with the greatest need for Federal assistance.

This proposal would provide REA borrowers access to private-sector credit sources through guarantees and permit the Government to reduce its involvement as a direct source of credit.

The Budget also proposes a prepayment program in which borrowers prepay their FFB financed REA direct loans utilizing an 80 percent REA guarantee of a privately originated loan without paying the required premium. Borrowers will be permitted to prepay \$500 million in FFB loans in 1990. Borrowers electing to prepay loans will not receive REA loans in the future.

In addition, the Budget proposes that a guarantee origination fee of 1 percent be charged on loans and commitments and deposited into the revolving fund to offset future defaults. The fee will increase by 1 percent each year through 1994, reaching 5 percent in 1994.

CREDIT REFORM - LOAN SUBSIDIES

Budget Estimate, Current Law, 1990.....	--
Changes due to credit reform.....	<u>+\$78,106,000</u>
Net Request, President's 1990 Budget Request.....	<u>78,106,000</u>

SUMMARY OF INCREASE AND DECREASE - CREDIT REFORM

<u>Item of Change</u>	<u>1989</u>	
	<u>Current Law</u>	<u>Program Changes</u>
Budget Authority	<u>--</u>	<u>+\$78,106,000</u>
		<u>\$78,106,000</u>

EXPLANATION OF CREDIT REFORM

The Administration Credit Reform proposal includes a request for appropriations for the subsidy costs of guaranteed loans and Rural Economic Development loans in the year in which the loan authority is available.

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Number and Amount of REA Electrification and
Telephone Loans by State, Fiscal Year 1988

<u>INSURED LOANS</u>	<u>ELECTRIC</u>		<u>TELEPHONE</u>	
	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>
UNITED STATES	138	\$622,050,000	41	\$193,411,000
Alabama	3	14,710,000	3	4,894,000
Alaska	2	9,372,000		
Arkansas	6	42,609,000	1	2,478,000
California	1	4,425,000		
Colorado	4	19,695,000		
Delaware	1	7,000,000		
Florida	2	11,308,000		
Georgia	10	83,210,000	3	4,929,000
Idaho	3	4,224,000		
Illinois	7	19,260,000		
Indiana	1	2,479,000	1	1,305,000
Iowa	3	3,774,000	2	1,060,000
Kansas	1	873,000	1	2,471,000
Kentucky	7	16,969,000	1	1,834,000
Louisiana	1	9,717,000		
Maryland	1	7,590,000		
Michigan	7	16,906,000	1	1,658,000
Minnesota	4	19,810,000	5	9,213,000
Mississippi	4	31,624,000	2	3,577,000
Missouri	6	20,422,000	1	1,475,000
Montana	1	3,924,000		
Nebraska	3	6,217,000		
New Mexico	3	5,188,000		
North Carolina	10	38,032,000		
North Dakota	1	721,000	2	8,634,000
Ohio	3	4,743,000	1	2,996,000
Oklahoma	5	21,700,000	2	3,871,000
Oregon	2	6,523,000		
Pennsylvania	3	8,908,000		
South Carolina	3	13,187,000	1	23,553,000
South Dakota	5	7,673,000	3	15,177,000
Tennessee	3	16,823,000	1	15,559,000
Texas	11	65,045,000	5	30,345,000
Utah			1	4,609,000
Virginia	4	39,305,000		
Washington	2	2,077,000		
West Virginia			1	745,000
Wisconsin	3	7,768,000	2	4,506,000
Wyoming	1	809,000		
Puerto Rico	1	27,430,000		
Guam			1	48,522,000
<u>GUARANTEED LOANS</u>	<u>ELECTRIC</u>		<u>TELEPHONE</u>	
	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>
UNITED STATES	6	\$774,672,000	--	--
Alabama	2	43,083,000		
Arkansas	1	8,663,000		
Colorado	1	10,668,000		
Georgia	1	706,780,000		
Missouri	1	5,478,000		

RURAL ELECTRIFICATION ADMINISTRATION

The estimates include appropriation language for this items as follows (deleted matter enclosed in brackets; new material underscored):

[Reimbursement to the Rural Electrification and Telephone Revolving Fund]

[For an additional amount to reimburse the rural electrification and telephone revolving fund for interest subsidies and losses sustained in prior years, but not previously reimbursed in carrying out the provisions of the Rural Electrification Act of 1936, as amended (7 U.S.C. 901-950(b), \$341,000,000.)]

The change deletes the language authorizing reimbursement to the Rural Electrification and Telephone Revolving Fund for interest subsidies and losses. Since no appropriation is requested in fiscal year 1990, retention of the language is unnecessary.

DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

Rural Electrification and Telephone Revolving Fund

Reimbursement for Interest Subsidies and Losses

Appropriation Act, 1989.....	\$341,000,000
Budget Estimate, 1990.....	--
Decrease in Appropriation.....	<u>-341,000,000</u>

PROJECT STATEMENT
(on Basis of Appropriation)

Project	: 1988 Actual	: 1989 Estimated	: Decrease	: 1990 Estimated
Reimbursement to	:	:	:	:
the revolving fund	:	:	:	:
for interest subsi-	:	:	:	:
dies and losses...	:\$327,675,000	: \$341,000,000	: -\$341,000,000:	--

EXPLANATION OF PROGRAM

This account reimburses the Rural Electrification and Telephone Revolving Fund for interest subsidies and losses resulting from defaults incurred by the revolving fund. The fund is exempted by the Act from paying annual interest cost owed to the Treasury on advances totaling \$7.9 billion. Additional funds are not needed; therefore, no appropriation is requested for 1990.

RURAL ELECTRIFICATION ADMINISTRATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Telephone Bank

- The Rural Telephone Bank is hereby authorized to make such expenditures, within the limits of funds and borrowing authority available to such corporation in accord with law, and to make such contracts and commitments without regard to fiscal year limitations as provided by Section 104 of the Government Corporation Control Act, as amended, as may be necessary in carrying out its authorized programs for the current
- 1 fiscal year. During [1989] 1990, and within the resources and authority available, gross obligations for the principal amount of direct loans
 - 2 shall be not [less than \$177,045,000 nor] more than [\$210,540,000] \$125,000,000.

The first change updates the fiscal year designation of the limitation on new loans for this program established as a part of the Federal Credit Controls.

The second change eliminates the range for the loan program and establishes the maximum loan program at \$125,000,000.

DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

Rural Telephone Bank - Current Law

		<u>Loan Authorization</u>
Appropriation Act, 1989		\$177,045,000
Budget Estimate, 1990		125,000,000
Change		<u>- 52,045,000</u>
		 <u>Other</u>
		<u>Authorizations</u>
		<u>(Borrowing</u>
		<u>Authority) a/</u>
Appropriation Act, 1989	\$246,549,000	\$88,101,000
Budget Estimate, 1990	<u>196,550,000</u>	<u>57,911,000</u>
Change	<u>-49,999,000</u>	<u>-30,190,000</u>

a/ Reflects estimated borrowing authority encumbered.

SUMMARY OF INCREASES AND DECREASES
(On basis of obligations)

	<u>1989 Estimate</u>	<u>Program Changes</u>	<u>1990 Estimate</u>
Operating Cost:			
Administrative expenses.	\$525,000	-\$445,000	\$80,000
Interest expense	68,728,000	+2,491,000	71,219,000
Dividends.....	251,000	--	251,000
Loan authority.....	<u>177,045,000</u>	<u>-52,045,000</u>	<u>125,000,000</u>
Total available.....	<u>246,549,000</u>	<u>-49,999,000</u>	<u>196,550,000</u>

PROJECT STATEMENT - CURRENT LAW
(On basis of obligations)

	1988	1989	Increase or	1990
	Actual	Estimated	Decrease	Estimated
1. Operating Costs:				
(a) Administrative				
Expense.....	\$60,664	\$525,000	-\$445,000(1)	\$80,000
(b) Interest expense:	66,884,504	68,728,000	+2,491,000(2)	71,219,000
2. Dividends.....	250,665	251,000	--	251,000
3. Loans.....	80,139,150	177,045,000	-52,045,000(3)	125,000,000
Total obligations.....	<u>147,334,983</u>	<u>246,549,000</u>	<u>-49,999,000</u>	<u>196,550,000</u>

EXPLANATION OF RURAL TELEPHONE BANK PROGRAM

Public Law 92-12, approved May 7, 1971, amended the Rural Electrification Act of 1936, as amended, to establish the Rural Telephone Bank as a supplemental source of financing the Rural Telephone Program. The act, as amended, permits the Secretary of the Treasury to purchase the Bank's debentures. This reduces RTB borrower costs. Public Law 93-32, approved May 11, 1973, further amended the Act to increase the Bank's borrowing authority from eight to twenty times its paid-in-capital and retained earnings. The Bank charges an interim rate from date of advance until the end of the fiscal year of the average yield on outstanding marketable obligations of the United States with comparable maturity of the approved advance. After the first year, a complex formula for computing the Bank's lending rate applies, but not less than five percent per annum.

Borrowing Authority

Equity capital of the Bank consists of Class A stock, bearing a 2 percent dividend, purchased by the United States Government; Class B and C stock purchased by Bank borrowers, organizations eligible to become borrowers, organizations controlled by borrowers; and retained earnings. The maximum borrowing authority of the Bank is limited to 20 times its paid-in-capital and retained earnings. Fiscal Year 1989 total borrowing authority available to the Bank is estimated at \$16.4 billion, comprised of \$1.2 billion in new borrowing authority and \$15.2 billion in unobligated authority brought forward. In 1990, available borrowing authority is calculated at \$17.1 billion, consisting of \$.7 billion in new borrowing authority and \$16.4 billion in authority carried over from prior years.

Highlights of Operation

The Rural Telephone Bank made 32 loans totaling \$80,139,150 in fiscal year 1988. Since its inception, the Bank has made loans totaling \$2,407,583,826 to 600 borrowers.

The Bank's net income from October 1, 1987, to September 30, 1988, amounted to \$47,260,441, after making provision for a return of \$9,872,847 on Class A stock held by the government, a balance of \$37,387,594 was available for patronage refunds, dividends, and retained earnings. Assets of the Bank totaled \$1,604,738,799 as of September 30, 1988, and liabilities \$774,943,645. The Bank has invested some of the proceeds from the sale of Class B and C stock in United States securities; interest on these investments amounted to \$59,605.

Program Statistics
(Dollars in thousands)

	FY 1988 <u>Actual</u>	FY 1989 <u>Estimate</u>	FY 1990 <u>Estimate</u>
Cumulative net loans.....	\$2,407,584	\$2,584,629	\$2,709,629
Cumulative loan funds, advanced.....	1,719,410	1,835,110	1,954,110
Unadvanced loan funds, end of year...	688,174	749,319	755,519
Cumulative principal repaid.....	305,999	329,627	355,093
Cumulative interest paid.....	982,631	1,093,559	1,211,385
Number of borrowers.....	600	615	620

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A net decrease of \$445,000 for administrative expense (\$525,000 available in 1989).

- (a) A decrease of \$400,000 related to the contractual services of a financial advisor for the Rural Telephone Bank.

Need for change. A contract for services of a financial advisor to study the conversion of ownership of the Rural Telephone Bank was awarded in fiscal year 1989. It is anticipated that the performance of the contract will be completed in the current fiscal year.

Nature of change. A reduction of \$400,000 in contractual costs based upon the completion of the terms and conditions stated in the agreement with the financial advisor.

- (b) A decrease of \$ 50,000 related to an audit fee by the U.S. General Accounting Office (GAO).

Need for change. In accordance with the Government Corporation Control Act (31 U.S.C. 9105), GAO is required to conduct an audit of the Rural Telephone Bank at least once every three years. The required periodic review will be completed in the current fiscal year.

Nature of change. A reduction of \$50,000 in GAO audit fees which will not be required in fiscal year 1990.

- (c) An increase of \$5,000 for general administrative expenses of the Rural Telephone Bank.

Need for change. An increase of \$5,000 attributable to an increase in certain administrative support costs needed to sustain general operations of the Bank.

Nature of change. Certain incidental administrative expenses, such as expenses of the elected members of the Board of Directors, postage fees, etc. are estimated to increase in fiscal year 1990.

- (2) An increase of \$2,491,000 in interest payments to Treasury by the Rural Telephone Bank (\$68,728,000 available in 1989).

Need for change. The increase of \$2,491,000 is not related to new Bank borrowings in fiscal year 1990. However, it is estimated that cash balances on deposit with the U.S. Treasury will decrease. This will reduce the amount of earned interest credit. Interest expense to Treasury will increase in relation to the reduced credit earnings.

Nature of change. Interest expense on Treasury borrowings will increase because of reduced cash balances and interest earned on these balances.

- (3) A decrease of \$52,045,000 in loans (\$177,045,000 available in 1989).

Need for change. This reduction is made in order to reduce Federal involvement in credit programs. Many RTB borrowers have the financial strength to borrow from private credit markets. Further, a large percentage (96%) of rural areas now have telephone service.

Nature of change. The level of Rural Telephone Bank loans will be reduced.

RURAL TELEPHONE BANK - PROPOSED LEGISLATION

EXPLANATION OF PROPOSED LEGISLATION

The Budget Reconciliation Act of 1987 provided that Rural Telephone Bank (RTB) borrowers could prepay Bank loans at face value, without prepayment premium, by September 30, 1988. A total of 109 borrowers prepaid \$131.3 million of their RTB loans in fiscal year 1988. Legislation will again be proposed to allow Bank borrowers to prepay loans without premium in fiscal year 1990, provided that these borrowers will no longer be eligible for future lending assistance from REA or the RTB. Borrowers will have the opportunity to prepay \$75 million in RTB loans in 1990.

The legislation will also propose to repeal certain provisions of the Omnibus Budget Reconciliation Act of 1987. Proposed amendments to the Rural Electrification Act will change RTB interest rate calculations; rescind the interest rate used in determining borrowers' eligibility; and remove the prohibition on the Bank from establishing certain reserves. These changes are necessary to allow the RTB to accumulate equity to repurchase 51 percent of Class A stock in 1995.

CREDIT REFORM - LOAN SUBSIDIES

Budget Estimate, Current Law, 1990.....	--
Change due to credit reform.....	+\$19,163,000
President's 1990 Budget Request.....	<u>19,163,000</u>

SUMMARY OF INCREASES AND DECREASES - CREDIT REFORM

<u>Item of Change</u>	<u>Current Law</u>	<u>1990 Program Changes</u>	<u>President's Request</u>
Budget Authority	--	+\$19,163,000	<u>\$19,163,000</u>

EXPLANATION OF CREDIT REFORM

Under the proposed legislation for Federal Credit Reform, the Federal Credit revolving fund in the Treasury Department will finance the market value of new Federal direct loans obligated in fiscal year 1990. The Treasury revolving fund will make disbursements for new Rural Telephone Bank loans. REA will continue to collect borrowers' repayments of principal and interest on loans. However, the collections will be credited directly to the Federal Credit revolving fund. The Credit Reform proposal also includes a request for an appropriation for the subsidy costs of loans made by the Rural Telephone Bank.

RURAL TELEPHONE BANK

Budget Authority, Obligations and Balances
(Dollars in thousands)

	<u>FY 1990 Actual</u>	<u>FY 1988 Estimate</u>	<u>FY 1989 Estimate</u>
Budget Authority:			
Borrowing Authority (P&F Schedule).....	--	\$88,101	\$57,911
Other Funds Available.....	\$304,451	169,141	149,332
Less: Return on Class A stock....	<u>-9,873</u>	<u>-10,693</u>	<u>-10,693</u>
Total budgetary resources.....	<u>294,578</u>	<u>246,549</u>	<u>196,550</u>
Obligations:			
Loans approved.....	80,139	177,045	125,000
Expenses and C stock dividends..	<u>67,196</u>	<u>69,504</u>	<u>71,550</u>
Total.....	<u>147,335</u>	<u>246,549</u>	<u>196,550</u>

Borrowing Authority
(Dollars in thousands)

	<u>FY 1988 Actual</u>	<u>FY 1989 Estimate</u>	<u>FY 1990 Estimate</u>
Available start of year.....	\$13,627,998	\$15,182,432	\$16,386,231
Increase 1/.....	1,489,700	1,291,900	817,040
Encumbered.....	--	-88,101	-57,911
Recovery of Prior Obligations	64,734	--	--
Available end of year.....	<u>15,182,432</u>	<u>16,386,231</u>	<u>17,145,360</u>

1/ Computed in accordance with Section 407 of the Rural Electrification Act of 1936, as amended:

A Stock.....	\$28,710	\$28,710	--
B Stock.....	16,083	17,987	\$18,911
C Stock.....	3,838	33	33
Retained earnings.....	25,854	17,865	21,908
Total.....	<u>74,485</u>	<u>64,595</u>	<u>40,852</u>
Statutory borrowing authority rate.....	<u>x20</u>	<u>x20</u>	<u>x20</u>
Maximum borrowing authority during period.....	<u>1,489,700</u>	<u>1,291,900</u>	<u>817,040</u>

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Number and Amount of Rural Telephone Bank
Loans by State, Fiscal Year 1988

	<u>No.</u>	<u>Amount</u>
UNITED STATES	32	\$80,139,150
Alabama	2	2,069,550
Alaska	1	1,537,200
Georgia	2	14,961,450
Illinois	2	2,539,950
Iowa	3	5,777,100
Kentucky	1	5,155,500
Maine	2	2,637,600
Michigan	2	7,458,150
Minnesota	4	6,071,100
Mississippi	1	794,850
New Hampshire	2	2,650,200
New York	1	3,754,800
Oregon	1	1,342,950
Pennsylvania	1	910,350
South Carolina	1	2,086,350
Texas	2	771,750
West Virginia	1	1,995,000
Wisconsin	2	1,542,450
Guam	1	16,082,850

RURAL ELECTRIFICATION ADMINISTRATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Purchase of Rural Telephone Bank Capital Stock

[For the purchase of Class A stock of the Rural Telephone Bank,
\$28,710,000 to remain available until expended (7 U.S.C. 901-950 (b)).]

The change deletes the language authorizing purchase of capital stock. Since no appropriation is requested in fiscal year 1990 for purchase of Class A stock, retention of the language is unnecessary.

DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

Rural Telephone Bank

Purchase of Rural Telephone Bank Stock

Appropriation Act, 1989.....	\$28,710,000
Budget Estimate, 1990.....	--
Decrease in appropriation.....	-28,710,000

SUMMARY OF INCREASES AND DECREASES

<u>Item of Change</u>	<u>1989 Estimated</u>	<u>Program Change</u>	<u>1990 Estimated</u>
Purchase of Capital			
Stock	\$28,710,000	-\$28,710,000	--

Project Statement
(on Basis of Appropriation)

<u>Project</u>	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>Decrease</u>	<u>1990 Estimated</u>
Purchase of Capital				
Stock	\$28,710,000	\$28,710,000	-\$28,710,000	--

EXPLANATION OF PROGRAM

The Rural Electrification Act of 1936, as amended, authorizes appropriations for the purchase of Class A stock in the Rural Telephone Bank by the U.S. Government. This account funds the purchase of Class A stock of the Rural Telephone Bank. The Federal Government has already provided \$535 million in low cost capital to the Bank - \$235 million over the \$300 million in capital called for in the original statute establishing the Bank; therefore, no appropriation is requested in fiscal year 1990.

JUSTIFICATION OF DECREASE

A decrease of \$28,710,000 for the purchase of capital stock.

Need for Change. This account funds the purchase of Class A stock of the Rural Telephone Bank and provides capital to the Bank. The stock is entitled to a cumulative return of two percent per annum. The continued purchases of Class A stock increase the financial burden on the public since the cost of Treasury borrowing is greater than the return earned on the Government's investment. Under proposed legislation, the Bank will have sufficient equity to repurchase 51 percent of Class A Stock in 1995. The Bank has the authority to raise funds in private credit markets on its capital base. It is also authorized to borrow from the U.S. Treasury at a rate of interest equivalent to Treasury's cost of borrowing.

Nature of Change. No appropriation is requested for fiscal year 1990 for the purchase of capital stock.

RURAL ELECTRIFICATION ADMINISTRATION

The estimate includes appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Communication Development Fund:

To reimburse the Rural Communication Development Fund for interest subsidies and losses sustained in prior years, but not previously reimbursed, in making Community Antenna Television loans and loan guarantees under Sections 306 and 310B of the Consolidated Farm and Rural Development Act, as amended, [~~\$1,447,000~~] \$1,329,000.

DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION
Rural Communication Development Fund

	<u>Estimated Obligations for Interest Expense</u>	<u>Appropriation</u>
<u>Community Antenna Television:</u>		
<u>Interest:</u>		
Appropriation Act, 1989	\$2,702,000	\$ 1,447,000
Budget Estimate, 1990	<u>2,704,000</u>	<u>1,329,000</u>
Change	<u>+2,000</u>	<u>-118,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of authorizations)

<u>Community Antenna Television:</u>	<u>1989 Estimated</u>	<u>Change</u>	<u>1990 Estimated</u>
Appropriation for losses	<u>\$1,447,000</u>	<u>-\$118,000</u>	<u>\$1,329,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

<u>Project</u>	<u>: 1988 Actual</u>	<u>: 1989 Estimated</u>	<u>: Decrease</u>	<u>: 1990 Estimated</u>
Appropriation for losses	\$1,309,000	\$1,447,000	-\$118,000	\$1,329,000

An appropriation is requested in fiscal year 1990 to reimburse the fund for net operating loss which is not covered by annual collections of principal and interest.

PROJECT STATEMENT
(On basis of actual or estimated obligations for interest expense)

<u>Project</u>	<u>: 1988 Actual</u>	<u>: 1989 Estimated</u>	<u>: Increase</u>	<u>: 1990 Estimated</u>
Interest expense:	\$2,674,000	\$2,702,000	+\$2,000	\$2,704,000

EXPLANATION OF PROGRAM

The 1990 Budget does not propose new loans since sufficient funding is available in the private sector. REA will continue to administer the existing program by making advances on previous loans and performing debt servicing.

JUSTIFICATION OF INCREASES AND DECREASES

An increase of \$2,000 to cover interest expense of the Rural Communication Development Fund (\$2,702,000 estimated in 1989).

Need for Change. The increase of \$2,000 is not related to new borrowings in fiscal year 1990. However, it is estimated that cash balances on deposit with the U.S. Treasury will decrease. This will reduce the amount of earned interest credit. Therefore, interest expense to Treasury will increase in relation to the reduced credit earnings.

Nature of Change. Interest expense on Treasury borrowings will increase because of reduced cash balances and interest earned on these balances.

RURAL ELECTRIFICATION ADMINISTRATION

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets, new material underscored):

Rural Economic Development Subaccount

[For grants and loans authorized under section 313 of the Rural Electrification Act for the purpose of promoting rural economic development and job creation projects, \$540,000: Provided, that this amount will be in addition to any amounts generated by the interest differential on voluntary cushion of credit payments made by REA borrowers.]

This change deletes the language authorizing appropriations to the Rural Economic Development Subaccount. Since funds for loans and grants will be generated by the interest differential on voluntary cushion of credit payments made by REA borrowers, no appropriation is requested in fiscal year 1990.

DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

Rural Electrification and Telephone Revolving Fund

Rural Economic Development Subaccount

Appropriation Act, 1989	\$540,000
Budget Estimate, Current Law, 1990	--
Change.....	<u>-540,000</u>

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

Item of Change	1989 <u>Estimated</u>	<u>Changes</u>	1990 <u>Estimated</u>
Loans and Grants	<u>\$540,000</u>	<u>-\$540,000</u>	<u>--</u>

PROJECT STATEMENT
(on basis of appropriation)

Project	: 1988 Actual	: 1989 Estimated	: Decrease	: 1990 Estimated
1. Appropriations :	:	:	:	:
for Loans and :	:	:	:	:
Grants.....:	--	\$540,000	-\$540,000	--

Pursuant to section 313 of the Rural Electrification Act, this subaccount was credited with an amount generated by the interest differential on voluntary cushion of credit payments made by REA borrowers. The estimated credit for FY 1989 is \$600,000 and for FY 1990 is \$750,000.

PROJECT STATEMENT
(on basis of available funds)

Project	: 1988 Actual	: 1989 Estimated	: Increase or:	: 1990 Estimated
1. Loans	--	\$1,089,991	-\$544,491	\$545,500
2. Grants	--	364,000	-182,000	182,000
Total obligations ..	--	1,453,991	-726,491	727,500
Unobligated balance, start of year	--	-403,991	+313,991	-90,000
Unobligated balance, end of year	403,991	90,000	+22,500	112,500
Total, available or estimated	403,991	1,140,000	-390,000	750,000
Accrued Interest Differential	-403,991	-600,000	-150,000	-750,000
Total, Appropriation:	--	540,000	-540,000	--

EXPLANATION OF PROGRAM

This subaccount provides funds for loans and grants authorized under section 313 of the Rural Electrification Act of 1936, as amended, for the purpose of promoting rural economic development and job creation projects.

JUSTIFICATION OF INCREASES AND DECREASES

A decrease of \$540,000 in appropriated funds for the Rural Economic Development Subaccount.

Need for change. Earnings generated by the interest differential on voluntary cushion of credit payments made by REA borrowers will provide funds to meet the needs of the program.

Nature of change. No appropriation is requested in FY 1990. Interest earned on cushion of credit payments made by REA borrowers will be utilized for zero interest loans and grants to promote rural economic development and job creation projects.

RURAL ELECTRIFICATION ADMINISTRATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

SALARIES AND EXPENSES

- For administrative expenses to carry out the provisions of the Rural Electrification Act of 1936, as amended (7 U.S.C. 901- 950(b)), and to administer the loan and loan guarantee programs for Community Antenna Television facilities as authorized by the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 - 1995) and for which
- 1 commitments were made prior to fiscal year [1989], 1990 including not to exceed \$7,000 for financial credit reports, funds for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$103,000 for employment
- 2 under 5 U.S.C. 3109, [\$31,124,000:] \$30,862,000. [Provided, That none of the funds in this Act may be used to authorize the transfer of
- 3 funds to this account from the Rural Telephone Bank.]

[OFFICE OF THE ADMINISTRATOR]

- [For necessary salaries and expenses of the Office of the Administrator of the Rural Electrification Administration, \$160,000: Provided, That no other funds in this act shall be available for this
- 4 Office.] (Rural Development, Agriculture, and Related Agencies Appropriation Act, 1989.)

The first change updates the fiscal year designation.

The second change updates the fiscal year appropriation which includes funds for the Office of the Administrator.

The third change deletes the provision in P.L. 100-460, Rural Development, Agriculture, and Related Agencies Appropriations Act, 1989, prohibiting the use of any funds in this Act to authorize the transfer of funds from the Rural Telephone Bank to the Salaries and Expenses account.

The fourth change deletes the provision in P.L. 100-460, Rural Development, Agriculture, and Related Agencies Appropriations Act, 1989, authorizing a separate appropriation for the Office of the Administrator, since funds for this office are requested in the Salaries and Expenses appropriation in Fiscal Year 1990.

DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

Salaries and Expenses

Appropriation Act, 1989:	<u>Appropriation</u>
Salaries and Expenses.....	\$31,124,000
Office of the Administrator.....	160,000
Total, Appropriations, 1989.....	<u>31,284,000</u>
Budget Estimate, 1990.....	<u>30,862,000</u>
Decrease in Appropriation.....	<u>-422,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

	<u>1989</u> <u>Appropriation</u>	<u>Program</u> <u>Changes</u>	<u>1990</u> <u>Estimate</u>
Administration of Loan Programs.....	<u>\$31,284,000</u>	<u>-\$422,000</u>	<u>\$30,862,000</u>

PROJECT STATEMENT
(On basis of appropriation)

	: 1988 Actual	: 1989 Estimated	: 1990 Estimated
Project	: Amount : Staff:	: Amount : Staff:	: Amount : Staff:
	: Years:	: Years:	: Years:
1. Administration of rural			
electrification program:			
(a) Lending and Management:			
Activities	\$8,180,102: 144	\$8,788,000: 154	-\$74,000: \$8,714,000: 150
(b) Engineering Activities:	7,463,619: 132	8,019,000: 142	-68,000: 7,951,000: 137
Total administration of			
electrification program:	15,643,721: 276	16,807,000: 296	-142,000: 16,665,000: 287
2. Administration of rural			
telephone program:			
(a) Lending and Management:			
Activities	7,651,513: 137	8,126,000: 143	-68,000: 8,058,000: 139
(b) Engineering Activities:	5,828,953: 105	6,191,000: 109	-52,000: 6,139,000: 105
Total administration of			
telephone program	13,480,466: 242	14,317,000: 252	-120,000: 14,197,000: 244
3. Office of the			
Adminsitator	126,885: 2	160,000: 2	-160,000: --: --
Unobligated balance	1,616,928: --	--: --	--: --: --
Total available or			
estimated	30,868,000: 520	31,284,000: 550	-422,000: 30,862,000: 531

EXPLANATION OF PROGRAM

The appropriation "Salaries and Expenses" of the Rural Electrification Administration funds the activities authorized by the Rural Electrification Act, as amended. The Act authorizes REA to provide to qualified electric and telephone organizations capital through insured loans and guarantees of loans by other lenders for electric and telephone service in rural areas comparable in reliability and quality to the service provided the rest of the nation. REA is also authorized by section 313 to make zero interest loans or grants to REA borrowers for the purpose of promoting rural economic development and job creation projects. In addition to administering programs for making loans, assurance of feasibility and adequate security and collections on loans, the REA staff furnishes management and technical assistance to borrowers for the purpose of protecting the Government's loan security, to assure that construction and operation of borrowers' systems conform to approved standards, and that the electric and telephone systems continue providing reliable service on an area coverage basis.

Applications, Loans, and Requisitions for Advances
(Dollars in thousands)

	<u>Actual</u>		<u>Estimated</u>		<u>Estimated</u>		
	<u>Fiscal Year 1988</u>		<u>Fiscal Year 1989</u>		<u>Fiscal Year 1990</u>		
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	
<u>Electric Program</u>							
Applications received	190	\$1,860,953	180	\$1,050,000	--	--	a/
Insured loans approved	138	622,050	130	622,050	--	--	a/
Loan guarantee commitments, FFB.....	6	774,672	6	100,000	--	--	a/
Non-REA loans without guarantee	138	360,078	125	300,000	--	--	a/
Applications on hand, end of year.....	174	774,171	93	802,121	--	--	a/
Advances processed (Insured Loans).....	936	582,000	925	600,000	925	600,000	
<u>Telephone Program</u>							
Applications received ..	66	187,139	89	379,796	--	--	a/
Insured loans approved	41	193,411	55	239,250	--	--	a/
RTB loans approved	32	80,139	33	177,045	25	125,000	
Loan guarantee commitments, FFB.....	--	--	1	119,796	--	--	a/
Applications on hand, completed -	10	101,124	10	55,000	--	--	a/
Advances processed -							
REA borrowers.....	485	175,291	490	220,000	485	208,000	
RTB borrowers.....	176	119,435	170	116,000	175	119,000	

a/ Legislation will be proposed to finance this activity with private sector loans. REA will guarantee \$1,000,000,000 in electric distribution loans with a variable percentage based on established criteria, \$265,000,000 in power supply loans with a 90 percent guarantee, and \$100,000,000 in telephone loans with a 70 percent guarantee. REA will continue to review applications prior to providing a guarantee and provide management, technical, and engineering assistance to the borrowers.

JUSTIFICATION OF INCREASES AND DECREASES

A decrease of \$422,000 for administration of rural electrification, rural telephone, community antenna television and rural economic development loan programs (\$31,284,000 available in 1989).

Need for Change A decrease of \$422,000 associated with a reduction in staff years to the level necessary to administer the loan programs at the anticipated levels.

Nature of Change The budget decrease will allow the agency to continue the operation of the rural electric and telephone programs at the levels anticipated. Sufficient funds will be available to furnish the management and technical assistance to borrowers, to protect the Government's loan security and to assure that all borrowers continue to provide reliable service. Salaries and Expenses for the Office of the Administrator are included in the 1990 Administration of Loan Program Estimates.

FEDERAL CROP INSURANCE CORPORATION

Purpose Statement

The Federal Crop Insurance Corporation is a wholly-owned Government Corporation created February 16, 1938 (7 U.S.C. 1501). The program was amended by P. L. 96-365, approved September 26, 1980, to provide for nationwide expansion of a comprehensive crop insurance program. The purpose of the Corporation is to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance.

The Federal Crop Insurance Corporation is charged with providing an actuarially sound cost-sharing insurance program for agricultural producers to protect against production losses due to unavoidable causes. The expanding crop insurance program constitutes a joint effort of the Government and the private insurance industry, both reinsured companies and sales and service contractors.

Major Activities

The Federal Crop Insurance Program comprises the following major activities:

(1) Underwriting, Actuarial, and Program Development which consists of the development by the Corporation of crop insurance programs and the establishment and maintenance of rates and coverages for crops in each county; (2) Reinsured Companies which consist of private insurance companies reinsured by FCIC which market and fully service (including loss adjustment and claims processing) policies of crop insurance and bear some risk on such policies; (3) Agency Sales and Service Contracts and Loss Adjustment consists of contracting with private insurance entities which market FCIC crop insurance policies and provide limited service but are not at risk. (These entities are commonly known as Master Marketers). This activity also includes contracting with independent claims adjusters who perform loss adjustment services for insureds holding FCIC policies, and the development of claims procedures; (4) Program Administration, which consists of Compliance and Quality Control of reinsured and FCIC program service operations, administering reinsurance agreements and agency sales and service contracts, and development of strategies for increased participation in the crop insurance program; (5) Program Management and Administrative Support, includes the Board of Directors, the Manager's Office and other staff offices reporting directly to the Manager's Office, as well as personnel management, finance and accounting, and support services.

The 1989 crop insurance program will operate in over 3,000 counties, and approximately \$9.1 billion of insurance coverage will be provided on almonds, apples, barley, dry beans, canning and processing beans, citrus, citrus trees, corn, cotton, ELS cotton, cranberries, figs, flax, forage production, forage seeding, grain sorghum, grapes, table grapes, hybrid seed (corn & grain sorghum), macadamia nuts, macadamia trees, nursery stock, oats, onions, peaches, peanuts, pears, peas (green and dry), peppers, popcorn, potatoes, prunes, raisins, rice, rye, safflower, soybeans, stonefruit (CA only-apricots, nectarines, and peaches), sugar beets, sugarcane, sunflowers, sweet corn, fresh market sweet corn, tobacco, tomatoes (fresh), canning and processing tomatoes, walnuts and wheat. A Prevented Planting option is offered for ASCS program crops only, which consist of barley, corn, cotton, grain sorghum, oats, rice and wheat.

It is estimated that about 60 million acres will be insured for the 1989 crop year. However, an estimated additional 11.2 million insured acres are estimated for crop year 1989, due to the increased acres that will be covered under the mandatory provisions of the 1988 Disaster Assistance Act.

General Administration

The various crop insurance programs are planned, developed, and monitored by the FCIC headquarters office located in Washington, D.C. and its national operations office located in Kansas City, Missouri. The program is administered in the field through 16 field service offices and 11 field underwriting offices. Selling and servicing at the county level is performed primarily by agents operating for agency sales and service contractors (under master marketing agreements) and agents of reinsured companies. The adjustment of losses is performed by reinsured companies for their policies and by loss adjusters under contract with FCIC for FCIC policies sold by master marketers. ASCS provides some support on a reimbursable basis for the Corporation.

The Kansas City, Missouri office assists in the processing of all insurance documents (except those of the reinsured companies), records detailed accounting and statistical data, and prepares the required accounting, statistical, and management reports for business from all sources. This function is essentially automated.

As of September 30, 1988, there were 864 total employees with 715 permanent full-time and 149 other employees. Of the total employees, 87 permanent full-time and 3 other were located in the Washington, D.C. office.

A summary of changes in capital for fiscal year 1988, and estimates for fiscal years 1989 and 1990, follows:

	F.Y. 1988 Actual	F.Y. 1989 Estimated	F.Y. 1990 Estimated
Net capital at beginning of year...	\$371,796,799	\$358,545,092	\$379,910,092
Additions to Capital:			
Appropriation (Premium Subsidy)...	228,523,000	112,000,000	134,077,000
CCC Transfer.....	900,000,000	300,000,000	175,000,000
Appropriation (A&O. Exp. Reimb.)...	-0-	-0-	28,862,000
Deductions from Capital:			
Repaid Treas. Borr. (\$113 M).....	-0-	-0-	-0-
Subtotal.....	<u>1,500,319,799</u>	<u>770,545,092</u>	<u>717,849,092</u>
Income:			
Insurance Prem. (farmer) MMA.....	49,459,564	77,669,000	80,038,000
Reinsurance Program-Includes P.R.	361,043,660	441,330,000	427,090,000
Less: Premium Subsidy.....	88,938,998	112,059,000	106,937,000
Net Insurance-Includes P.R.....	<u>272,104,662</u>	<u>329,271,000</u>	<u>320,153,000</u>
Int. and Other Income-FCIC (Note 1)	4,804,936	-0-	-0-
Int. and Other Income-Reins(Note 2)	3,192,006	-0-	-0-
Adjustments to Income for F.Y. 1987 by Peat, Marwick, & Main per GAO Audit, increasing 9/30/87 Deficit (Note 3).....	-7,971,965	-0-	-0-
Subtotal, Income.....	<u>321,589,203</u>	<u>406,940,000</u>	<u>400,191,000</u>
Expenses:			
Government Indemnities.....	217,427,322	145,936,000	138,848,000
Prior Year Adjustments.....	2,101,890	-0-	-0-
Reinsurance Losses-Includes P.R..	1,211,953,641	609,261,000	555,394,000
Misc. Expense Items (Note 4).....	2,418,576	-0-	-0-
Adjustments to Expense for F.Y. 1987 by Peat, Marwick, & Main per GAO Audit, increasing 9/30/87 Deficit (Note 5).....	29,462,481	-0-	-0-
Est. Uncollectible Prem/Bad Debt Exp.	-0-	1,553,000	1,601,000
Adm. Exp. Paid From Premium.....	-0-	40,825,000	-0-
Subtotal, Expenses.....	<u>1,463,363,910</u>	<u>797,575,000</u>	<u>722,693,000</u>
Net Income or Loss (-) for the Year.....	<u>-1,141,774,707</u>	<u>-390,635,000</u>	<u>-322,502,000</u>
Net Capital at end of year.....	<u>\$ 358,545,092</u>	<u>\$ 379,910,092</u>	<u>\$ 395,347,092</u>
Analysis of Capital:			
Capital Stock:			
Authorized.....	\$ 500,000,000	\$ 500,000,000	\$ 500,000,000
Unissued.....	-0-	-0-	-0-
Issued.....	<u>500,000,000</u>	<u>500,000,000</u>	<u>500,000,000</u>
Treasury Borrowing.....	113,000,000	113,000,000	113,000,000
CCC Transfer.....	1,650,000,000	1,950,000,000	2,125,000,000
Paid-in-Capital:			
Paid-in-surplus.....	37,978,470	37,978,470	37,978,470
Approp. (premium subsidy).....	866,604,000	978,604,000	1,112,681,000
Approp. (agents' commissions)....	47,909,000	47,909,000	67,967,000
Approp. (loss adjustment).....	4,632,000	4,632,000	11,929,000
Approp. (loss adjustment-Reins)..	-0-	-0-	1,507,000
Cum surplus(+)/deficit(-).....	<u>-2,861,578,378</u>	<u>-3,252,213,378</u>	<u>-3,574,715,378</u>
Net Capital at end of period.....	<u>\$ 358,545,092</u>	<u>\$ 379,910,092</u>	<u>\$ 395,347,092</u>

Notes to Capital Table:

	F.Y. 1988
1. Recoveries of Write-Offs	\$ 632,268
Interest Income	2,284,953
Other Income	1,821,013
State Subsidy Income	66,702
Total	<u>4,804,936</u>
2. Reinsured Companies Share of Underwriting Losses	1,322
Recoveries of Premium Deferral Expense	468,789
Interest Income	2,464,958
Miscellaneous Reinsurance Income	256,937
Total	<u>3,192,006</u>
3. 1988 Reinsurance Premium Income not included	
in 09-30-87 Treasury Reports	511,513
FCIC Prem. Income Adjustment per Peat, Marwick & Main	462,681
Reinsured Company Share of Losses to be included in	
F.Y. 1987 Income per Peat, Marwick, & Main	714,000
Other Reinsurance Premium Income Adjustment to	
F.Y. 1987 per Peat, Marwick, & Main	<u>-9,660,159</u>
Total F.Y. 1987 Adjustments, and Peat, Marwick,	
& Main Adjustments to Income and Increase to	
Accumulated Deficit	<u>-7,971,965</u>
4. Reinsurance Extended Period (1981-1985) Company	
Share of Gains	13,676
Reins. Co.'s Share of Underwriting Gains F.Y. 1988	
Recognized (Total 1988 Reinsurance Year=\$17,430,501.34	
with \$16,893,000.00 Recognized in F.Y. 1987 per Peat,	
Marwick, and Main - See Note 5)	1,326,681
Interest Written Off	87,238
Reinsurance Premium Deferral Expense	990,981
Total	<u>2,418,576</u>
5. Amount Charged to Admin. Exp. after 09-30-87	
Treasury Reports Completed, for Coll. Fees Exp.	-29
Reinsured Companies Share of Gains (Premium) for 1987,	
per Peat, Marwick, & Main, Recognized in F.Y. 1987	16,893,000
FCIC Indemnities Exp.-Adjustment to F.Y. 1987	
per Peat, Marwick, & Main	915,000
Reinsurance Indemnities Expense-Adjustment to	
F.Y. 1987 per Peat, Marwick, & Main	855,000
Bad Debts Expense Adjustment for F.Y. 1987	
per Peat, Marwick, & Main	7,681,374
Increase in Puerto Rico Indemnity Contingency for	
1984 Hurricane Claus, per Peat, Marwick, & Main	<u>3,118,136</u>
Total F.Y. 1987 Adjustments, and Peat, Marwick,	
& Main Adjustments to Expense and Increase to	
Accumulated Deficit	<u>\$29,462,481</u>

FEDERAL CROP INSURANCE CORPORATION

Available Funds and Staff-Years
1988 Actual and Estimated 1989 and 1990

	1988 Actual		1989 Estimated		1990 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Administrative and Operating Expenses..	\$200,000,000:	841	\$201,992,000:	865	\$225,626,000:	865
FCIC Fund:						
Premium Subsidy.....	228,523,000:	---	112,000,000:	---	123,770,000:	---
Restoration of Prior Year Obligations (Admin. Expense)...	-0-	---	-0-	---	28,862,000:	---
Restoration of Prior Year Obligations (Prem. Subsidy)....	-0-	---	-0-	---	10,307,000:	---
Total, FCIC Approp...	428,523,000:	---	313,992,000:	---	388,565,000:	---
CCC Transfers	900,000,000:	---	300,000,000:	---	175,000,000:	---
Total, FCIC Available Funds....	\$1,328,523,000:	841	\$613,992,000:	865	\$563,565,000:	865

Full-Time Equivalent Staff-Years:	1988 <u>Actual</u>	1989 <u>Estimated</u>	1990 <u>Estimated</u>
Ceiling.....	841	865	865
Non-ceiling.....	12	10	10
Total.....	<u>853</u>	<u>875</u>	<u>875</u>

FEDERAL CROP INSURANCE CORPORATION

Permanent Positions by Grade and Staff-Year Summary
1988 and Estimated 1989 and 1990

Grade	1988			1989			1990		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-5	0	1	1	0	1	1	0	1	1
ES-4	1	0	1	1	0	1	1	0	1
ES-3	1	0	1	1	0	1	1	0	1
GS/GM-15	4	4	8	5	2	7	5	2	7
GS/GM-14	4	7	11	7	6	13	7	6	13
GS/GM-13	31	48	79	34	44	78	35	45	80
GS-12	52	163	215	74	151	225	75	158	233
GS-11	25	157	182	34	182	216	33	172	205
GS-10	1	0	1	0	1	1	0	7	7
GS-9	13	44	57	15	13	28	15	10	25
GS-8	6	6	12	6	6	12	6	5	11
GS-7	18	18	36	26	9	35	26	10	36
GS-6	14	19	33	13	17	30	14	17	31
GS-5	23	64	87	20	60	80	18	61	79
GS-4	16	18	34	11	18	29	11	17	28
GS-3	2	0	2	2	1	3	2	0	2
Total Permanent Pos.	211 a/	549	760	249 a/	511	760	249 a/	511	760
Total Staff-Years:									
Ceiling.....	155	686	841	202	663	865	202	663	865
Non-Ceiling.....	2	10	12	2	8	10	2	8	10
TOTAL.....	157	696	853	204	671	875	204	671	875

a/ Includes Personnel, Budget, Finance, and other Support Services functions located in Kansas City, Missouri, as follows:

	1988	1989	1990
Kansas City, Headquarters:			
Total Permanent Positions...	61	72	72
Total Staff Years.....	71	84	84

FEDERAL CROP INSURANCE CORPORATION

Classification By Objects
1988 and Estimated 1998 and 1990

Administrative and Operating Expenses (12X2707):

	1988	1989	1990
Personnel Compensation:			
Headquarters) a/.....	\$ 4,799,214	\$ 5,020,000	\$ 5,020,000
Field.....	20,521,341	21,463,000	21,463,000
11 Total Personnel Compensation...	25,320,555	26,483,000	26,483,000
12 Personnel Benefits.....	5,722,967	4,183,000	4,183,000
13 Benefits for Former Personnel..	301,721	212,000	212,000
Total Personnel Compensation and Benefits.....	31,345,243	30,878,000	30,878,000
Other Object Classes:			
21 Travel.....	2,768,435	3,680,000	3,813,000
22 Transportation of Things.....	419,242	779,000	807,000
23 Communications, Utilities, and Other Rent.....	3,001,798	3,691,000	3,824,000
24 Printing and Reproduction.....	365,038	998,000	1,034,000
25 Other Services.....	1,637,763	1,704,000	1,765,000
25 Other Contracts b/.....	10,271,633	15,272,000	12,713,000
25 ASCS Agreement.....	3,694,689	3,345,000	2,812,000
25 Reinsurance Admin Expenses....	121,545,000	139,782,000	163,610,000
25 Master Marketing Expenses.....	11,700,000	-0-	-0-
25 Loss adjustment contracting....	9,867,000	-0-	2,440,000
26 Supplies and Materials.....	531,340	753,000	780,000
31 Equipment.....	1,134,108	1,104,000	1,144,000
42 Insurance Claims and Indemnities.....	5,892	4,000	4,000
43 Interest and dividends.....	34,414	2,000	2,000
Total, Other Object Classes.....	166,976,352	171,114,000	194,748,000
Total Direct Obligations, A&O Exp....	<u>\$198,321,595</u>	<u>\$201,992,000</u>	<u>\$225,626,000</u>

FCIC Fund (12X4085):

Other Object Classes:

25 Administrative Expenses Paid from FCIC Fund.....	-0-	\$40,825,000	\$26,850,000
42 Indemnities:			
Government.....	\$ 217,427,322	145,935,000	138,849,000
Reinsurance.....	1,211,953,642	609,262,000	555,394,000
92 Undistributed.....	33,982,947	1,553,000	1,600,000
Total Direct Obligations, FCIC Fund..	<u>\$1,463,363,911</u>	<u>\$797,575,000</u>	<u>\$722,693,000</u>
Total Direct Obligations, FCIC.....	<u>\$1,661,685,506</u>	<u>\$999,567,000</u>	<u>\$948,319,000</u>

Position Data:

Average Salary, ES positions	\$ 73,603	\$ 76,621	\$ 76,621
Average Salary, GS/GM positions	\$ 30,763	\$ 31,811	\$ 31,980
Average Grade, GS/GM positions	9.91	10.13	10.18

- a/ Headquarters includes all Washington, D.C. employees, and Kansas City, Missouri employees in Support Services, Personnel, Budget, and Finance.
- b/ Includes ADP; Commission Study; Internal Management Studies; Statistical Data-NASS, Advertising, National Finance Center, FTS.

FEDERAL CROP INSURANCE CORPORATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Administrative and Operating Expenses:

For administrative and operating expenses, as authorized by the Federal Crop Insurance Act, as amended (7 U.S.C. 1516), [~~\$201,992,000~~] \$225,626,000:
Provided, That not to exceed \$700 shall be available for official reception and representation expenses, as authorized by 7 U.S.C. 1506(i).

FEDERAL CROP INSURANCE CORPORATION

Administrative and Operating Expenses

Appropriation Act, 1989.....	\$201,992,000
Budget Estimate, 1990.....	225,626,000
Increase in Appropriation.....	<u>+23,634,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1989 Estimated	Program Changes	1990 Estimated
Underwriting, Actuarial and Program Develop....	\$12,095,000	+\$189,000	\$12,284,000
Reinsured Companies.....	141,663,000	+23,859,000	165,522,000
Agency Sales & Service Agreements and Loss Adjustment Contracts...	25,703,000	+2,288,000	27,991,000
Program Administration...	4,320,000	+57,000	4,377,000
Program Management and Administrative Supp....	18,211,000	-2,759,000	15,452,000
	a/	b/	a/
Total Available.....	<u>\$201,992,000</u>	<u>+23,634,000</u>	<u>\$225,626,000</u>

a/ Does not include administrative expenses paid from the FCIC Fund which total \$40,825,000 and \$26,850,000 in fiscal years 1989 and 1990, respectively.

b/ This net increase of \$23,634,000 includes: (1) \$6,767,000 for increased operating costs (estimated at 3.6 percent of non-salary costs); (2) \$15,825,000 which represents a change due to change in funding source; and (3) \$1,042,000 due to a net increase in program costs.

PROJECT STATEMENT
(On basis of appropriation)

	: 1988 Actual	: 1989 (Est.)	: Increase(+):	: 1990 (Est.)	
	: Amount	: SY	: Amount	: SY	: Decrease(-):
1. Underwriting,	:	:	:	:	:
Actuarial	:	:	:	:	:
and Program	:	:	:	:	(1):
Development....	\$11,812,724:	209:	\$12,095,000:	214:	+\$189,000:
2. Reinsured com-	:	:	:	:	(2):
panies.....	123,092,818:	25:	141,663,000:	30:	+23,859,000:
3. Agency Sales &	:	:	:	:	:
Service Agree-	:	:	:	:	:
ment & Loss	:	:	:	:	(3):
Adjust. Contr.:	47,418,396:	383:	25,703,000:	381:	+2,288,000:
4. Program Admini-	:	:	:	:	(4):
stration.....	2,904,581:	42:	4,320,000:	71:	+57,000:
5. Program Manage-	:	:	:	:	:
ment & Admin-	:	:	:	:	(5):
trative Sup.	13,093,076:	182:	18,211,000:	169:	-2,759,000:
Unobligated	:	:	:	:	:
balance.....	1,678,405:	-0-:	-0-:	-0-:	-0-:
Total approp-	:	:	:	:	:
riation.....	<u>200,000,000:</u>	<u>841:</u>	<u>201,992,000:</u>	<u>865:</u>	<u>+23,634,000:</u>
					<u>225,626,000:</u>
					<u>865:</u>

EXPLANATION OF PROGRAM

The appropriation, "Administrative and Operating Expenses," of the Federal Crop Insurance Corporation, funds the activities authorized by the Federal Crop Insurance Act, as amended (7 U.S.C. 1501-1520).

The Corporation's long-term objective is to provide the maximum number of farm producers with crop insurance coverage, on an actuarially sound basis, as protection against risks and economic losses resulting from uncontrollable natural hazards. To encourage participation, the program provides a subsidy to those insured equal to about 25 percent of the premium.

The fiscal year 1990 appropriation request for administrative and operating expenses will enable the Corporation to provide for expanded program participation at about 29 percent of the potentially insurable acreage, which compares to 24 percent insured in 1988. The major portion of administrative and operating expenses provides for the program's delivery systems which are provided by the private sector as provided by the Federal Crop Insurance Act under Section 507(c). Program delivery is provided through the following methods:

(1) Reinsured companies provide insurance marketing, underwriting, servicing, training, quality control, statistical processing and reporting, and loss adjustment functions. As risk-bearers, the companies also share with FCIC in both profits and losses. It is estimated that reinsured companies will handle insurance sales amounting to about 80 percent of the premium during crop year 1990.

(2) Agency Sales and Service Agreements (Master Marketing Agreements) under this type of agreement, private insurance companies and associations are offered the opportunity to contract with FCIC to provide insurance sales and services. They are compensated on a commission basis. It is estimated that for crop year 1990, about 20 percent of the premium will be handled under this delivery system.

(3) Existing ASCS Offices will provide FCIC information and support, collect data and assist FCIC in establishing farm yields. Upon request from FCIC, they will sell and service all-risk crop insurance in existing county offices where an adequate private sales and service force is not available.

The activities carried out by the Corporation follow:

Underwriting, Actuarial and Program Development covers the underwriting function which makes determinations with respect to establishment of insurance coverages and premium rates for different farming practices (summer fallow, continuous cropping, irrigation, etc.) in each county. Also, in each county, insurance coverages and premium rates are broken down by yield groups to reflect variation in productivity and in risk of loss. Crop insurance coverages must be established and maintained for each crop in each county.

Field underwriters review and recommend revision of local rates each year to refine the actuarial structure. In addition, new programs are researched and developed, and existing ones are reviewed for improvement of contract provisions and proposals.

Reinsured Companies - The reinsurance expense reimbursement enables the reinsured companies to provide the insurance marketing, underwriting, servicing, training, quality control, statistical processing reporting, and loss adjustment functions. The companies also share with FCIC in both profits and losses.

Agency Sales and Service Contracts and Loss Adjustment Contracts - Under Agency Sales and Service Contracts, companies and associations are offered the opportunity to contract with FCIC to provide insurance sales and limited services for policies written by FCIC. For these policies, the loss adjustment work is performed by adjusters under contract with FCIC.

Program Administration - This activity consists of reviews of the activities of the reinsured companies, master marketers and FCIC loss adjusters, to assure compliance and uniformity in loss adjustment procedures, training development, and quality control methods utilized. Also responsible for the administration of the Reinsurance Agreements and Agency Sales and Service Contracts and developing strategies for increased participation in the crop insurance program.

Program Management and Administrative Support - This activity includes all management and administrative support functions in both Washington, D.C. and Kansas City, Missouri. Included are the following functions; administrative support functions of finance, budget, management services, and personnel management for the Corporation.

The following table summarizes the planned level of crop insurance operations for crop years 1988, 1989, and 1990:

	Crop Year 1988	Crop Year 1989	Crop Year 1990
Premiums (000).....	\$435,000	\$527,220	\$534,600
Government Operations.....	65,000	105,440	106,920
Reinsurance Operations a/.	370,000	421,780	427,680
Premium Subsidy included above (000).....	107,122	133,860	133,650
Insurance in Force (000)....	6,925,000	9,018,380	9,146,264
Insured Acres (000).....	54,000	71,000	65,800
Counties.....	3,015	3,019	3,019
County Programs.....	20,422	21,233	21,500

a/ Includes amounts that will appear on the books of the reinsured companies. The Corporation's records will only reflect the net reinsurance income and net reinsurance losses.

OIG Reports

50664-2-FM RE: Audit of Security Over Electronic Fund Transfer.
Complete/Closed 8-31-88.

05099-22-KC RE: FCIC Actuarial Practices and Procedures. 3 Recommendations
resolved; 2 Recommendations open.

05099-11-AT RE: FCIC Reinsurance Operations - Mississippi
Recommendation 2 resolved/closed.
Recommendations 3 and 4 resolved.
Recommendation 1 resolved/reopened 10/14/88.

05099-6-SF RE: Audit of Potato Insurance Policies.
Incomplete/Open 12-19-88.

05099-7-SF RE: Audit of Selected 1986 Processing Tomato Claims.
Recommendations 1 and 2 closed 7-11-88. Recommendation
3 open 12-19-88.

05099-26-TE RE: Compliance Program. Closed upon issuance, 4/18/88.

GAO Reports

GAO Final Report RCED-88-7, November 1987 - COMPLETE
RE: CROP INSURANCE: Overpayment of Claims by Private Companies Costs the
Government Millions. FCIC responded 12/23/87. A number of individual
policies are being resolved as of 12/20/88.

GAO Final Report RCED-88-171BR, July 1988 - COMPLETE
RE: CROP INSURANCE: Participation in the Costs Associated with the Federal
Program. FCIC responded 9/12/88.

GAO Final Report, RCED 89-10, October 1988 - COMPLETE
RE: CROP INSURANCE: FCIC Needs to Improve Its Oversight of Reinsured
Companies. FCIC responded 12/8/88.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$189,000 in the Administrative and Operating Expenses for underwriting, actuarial, and program development (\$12,095,000 available in fiscal year 1989), consisting of:

- (a) An increase of \$189,000 for increased operating costs (estimated at 3.6 percent of all non-salary costs).

Need for change. The fiscal year 1990 level provides for an increase in the number of county crop programs from 21,233 in fiscal year 1989 to 21,500 in fiscal year 1990, projecting increased farmer interest in crop insurance.

Nature of change. During fiscal year 1990, it is assumed that the underwriting, actuarial, and program development functions will be performed in 3,019 counties covering approximately 21,500 county programs. The Corporation will continue to maintain Actual Production History (APH) 10-year production statistics for establishing yield guarantees for crop insurance policies.

The following table reflects the cost and staff-year distribution of this activity for fiscal years 1989 and 1990:

	1989		1990		Change 1990 over 1989	
	Staff:		Staff:		Staff:	
	Years:	Cost	Years:	Cost	Years:	Cost
1. Actuarial analysis & program development..	85	\$6,441,000	85	\$6,571,000	0	+\$130,000
2. Field underwriting....	129	5,654,000	129	5,713,000	0	+59,000
Total.....	214	\$12,095,000	214	\$12,284,000	0	+\$189,000

- (2) An increase of \$23,859,000 in the Administrative and Operating Expenses for reinsured companies (\$141,663,000 available in 1989), consisting of:

- (a) An increase of \$4,673,000 is due to additional reinsurance administrative expense reimbursement necessary for the increased premium to be handled by the reinsured companies.
- (b) An increase of \$5,716,000 is for increased operating costs (estimated at 3.6 percent of all non-salary costs).
- (c) An increase of \$13,470,000 reflects the portion of the reinsurance-loss adjustment expense which was paid from the FCIC Fund in FY 1989. This amount is now being requested in the administrative and operating expense account, by direct appropriation, in FY 1990.

Need for Change. The expanding nationwide crop insurance program will require more reinsurance administrative expenses for the higher premium levels in FY 1990. Total premium is expected to increase slightly from \$527.2 million in Fiscal Year 1989 to \$534.6 million in FY 1990. The reinsured company premium sales are projected to increase from \$421.8 million in 1989 to \$427.7 million in 1990 for about 80 percent of the total premium.

Nature of Change. This activity primarily funds the administrative expense reimbursement to reinsured companies. During FY 1990, the reinsured companies will handle about 53 million of the total 66 million insured acres, and will provide the farmers with over \$7.0 billion of crop insurance protection.

The following table reflects the cost and staff-year distribution of this activity for fiscal years 1989 and 1990:

Function	1989		1990		Change 1990 over 1989	
	Staff:		Staff:		Staff:	
	Years:	Cost	Years:	Cost	Years:	Cost
1. Reinsurance	:	:	:	:	:	:
Administrative	:	a/:	:	:	:	:
Expenses.....	0	\$139,782,000	0	\$163,610,000	0	+\$23,828,000
2. Other (Prog. Supp.)	30	1,881,000	30	1,912,000	0	+31,000
Total.....	30	\$141,663,000	30	\$165,522,000	0	+\$23,859,000

a/ Does not include \$13,470,000 paid from the FCIC Fund for reinsurance-loss adjustment functions in FY 1989.

(3) A net increase of \$2,288,000 in the Administrative and Operating Expenses for agency sales and service contracts and loss adjustment contracts (\$25,703,000 available in 1989), consisting of:

- (a) No amount is requested in the administrative and operating expenses for expenses of the master marketers. However, \$20,058,000 was paid from the FCIC Fund in FY 1989, and reimbursement is requested in that account for FY 1990. An amount of \$22,098,000 is provided for this in the FCIC Fund for FY 1990.
- (b) An increase of \$2,355,000 for loss adjustment contracting represents the request for reimbursement of the loss adjustment costs which were paid from the FCIC Fund in FY 1989. In FY 1990, \$2,355,000 is requested in the administrative and operating expense account by direct appropriation.
- (c) A decrease of \$631,000 in general administration under this activity due to a decrease in ASCS National Agreement.
- (d) An increase of \$564,000 for increased operating costs (estimated at 3.6 percent of all non-salary costs).

Need for Change. Since this activity funds administrative expenses directly related to the master marketing delivery system (Agency Sales and Service Contracts and loss adjustment contractors), and due to a slight increase in the level of business to be handled by master marketers, the required funding level for this activity will be a net increase of \$2,288,000 over that required in fiscal year 1989.

Nature of Change. This increase in funding reflects mainly a change in the source of funding of the administrative and operating expense account in fiscal year 1990.

The following table reflects the cost and staff-year distribution of this activity for fiscal years 1989 and 1990:

Function	1989		1990		Change 1990 over 1989	
	Staff:		Staff:		Staff:	
	Years:	Cost	Years:	Cost	Years:	Cost
1. Agency Sales and Service Agreements (MMA's) a/	0	-0-	0	-0-	0	-0-
2. Loss adjustment contracts.....	0	-0-	0	\$2,355,000	0	+\$2,355,000
3. Field Operations...	278	\$13,193,000	278	13,332,000	0	+139,000
4. ASCS Agreement.....	0	3,345,000	0	2,714,000	0	-631,000
5. Other (Prog. Supp.)	103	9,165,000	103	9,590,000	0	+425,000
Total.....	381	\$25,703,000	381	\$27,991,000	0	+\$2,288,000

a/ Amounts paid from the FCIC Fund in fiscal years 1989 and 1990.

b/ An additional \$4,752,000 will be paid from the FCIC Fund in FY 1990 for loss adjustment contractors.

(4) An increase of \$57,000 in the Administrative and Operating Expenses for Program Administration (\$4,320,000 available in 1989).

(a) An increase of \$57,000 for increased operating costs (estimated at 3.6 percent of all non-salary costs).

This increase of \$57,000 is due solely to estimated increased operating costs, for the following activities: all compliance functions, which consist of reviews of the activities of the reinsured companies, master marketers, and FCIC loss adjustment contractors to assure compliance and uniformity in loss adjustment procedures, training development, quality control methods utilized, and also covers the administration of the Reinsurance Agreements and Agency Sales and Service Contracts, and developing strategies for increased participation in the crop insurance program.

The following table reflects the cost and staff-year distribution of this activity for fiscal years 1989 and 1990:

Function	1989		1990		Change 1990 over 1989	
	Staff:		Staff:		Staff:	
	Years:	Cost	Years:	Cost	Years:	Cost
1. Total Program Admin. and Compliance	71	\$4,320,000	71	\$4,377,000	0	+\$57,000

5. A net decrease of \$2,759,000 in the Administrative and Operating Expenses for program management and administrative support (\$18,211,000 available in 1989), consisting of:

- (a) An increase of \$241,000 for increased operating costs (estimated at 3.6 percent of all non-salary costs), as previously discussed.
- (b) A decrease of \$3,000,000 funding for the Congressionally-mandated Commission to study the Federal Crop Insurance Program and the FCIC internal management studies. The \$3.0 million will not be required in FY 1990.

The following table reflects the cost and staff-year distribution of this activity for fiscal years 1989 and 1990:

Function	1989		1990		Change 1990 over 1989	
	Staff:		Staff:		Staff:	
	Years:	Cost	Years:	Cost	Years:	Cost
1. Headquarters.....	86	\$11,586,000	86	\$11,735,000	0	+\$149,000
2. Kansas City.....	83	3,625,000	83	3,717,000	0	+92,000
3. Commission and Studies.....	0	3,000,000	0	-0-	0	-3,000,000
Total.....	169	\$18,211,000	169	\$15,452,000	0	-\$2,759,000

UNITED STATES DEPARTMENT OF AGRICULTURE
FEDERAL CROP INSURANCE CORPORATION

Geographic Breakdown Of Obligations And Staff Years
1988 Actual and Estimated 1989 and 1990

AGENCY: FEDERAL CROP INSURANCE CORPORATION

LOCATION	1988 Actual		1989 Estimated		1990 Estimated	
Appropriation Financial Project	Amount	Staff- Years	Amount	Staff- Years	Amount	Staff- Years
Administrative and Operating Expenses:						
ALABAMA.....	\$ 2,585,919	0	\$ 2,536,659	0	\$ 2,963,517	0
ARIZONA.....	173,114	0	172,485	0	202,063	0
ARKANSAS.....	3,176,694	0	3,582,211	0	4,170,139	0
CALIFORNIA.....	9,476,408	21	10,557,665	35	12,068,922	35
COLORADO.....	2,377,275	0	2,286,624	0	2,673,102	0
CONNECTICUT.....	9,651	0	1,261	0	1,309	0
DELAWARE.....	184,239	0	63,081	0	76,909	0
DISTRICT OF COLUMBIA.	7,910,039	79	13,946,900	119	10,933,177	119
FLORIDA.....	2,587,076	0	1,552,007	0	1,826,954	0
GEORGIA.....	6,068,222	13	6,312,642	13	7,297,330	13
HAWAII.....	67,690	0	77,323	0	90,024	0
IDAHO.....	1,760,374	0	1,922,912	0	2,242,513	0
ILLINOIS.....	6,355,770	30	6,579,114	30	7,465,604	30
INDIANA.....	3,301,504	15	3,459,739	18	3,898,401	18
IOWA.....	14,250,287	19	15,973,816	23	18,465,637	23
KANSAS.....	7,297,424	35	7,292,116	33	8,295,359	33
KENTUCKY.....	1,344,246	0	1,204,329	0	1,412,193	0
LOUISIANA.....	3,595,604	0	3,407,041	0	3,969,512	0
MAINE.....	96,862	0	103,825	0	120,769	0
MARYLAND.....	241,375	0	259,222	0	302,090	0
MASSACHUSETTS.....	66,677	0	28,702	0	37,267	0
MICHIGAN.....	1,092,914	0	1,219,852	0	1,421,082	0
MINNESOTA.....	14,031,128	36	12,076,908	32	14,298,837	32
MISSISSIPPI.....	4,285,047	29	4,200,140	29	4,709,148	29
MISSOURI.....	26,156,536	332	27,333,634	289	28,750,740	289
MONTANA.....	9,351,659	36	6,503,301	37	7,915,754	37
NEBRASKA.....	9,908,872	17	10,312,699	19	11,882,173	19
NEW JERSEY.....	100,620	0	91,027	0	106,485	0
NEW MEXICO.....	236,518	0	217,655	0	258,026	0
NEW YORK.....	153,241	0	120,214	0	140,269	0
NORTH CAROLINA.....	7,367,866	46	7,264,905	45	8,094,083	45
NORTH DAKOTA.....	14,199,515	16	11,848,037	18	14,370,135	18
OHIO.....	1,177,027	0	1,141,488	0	1,329,711	0
OKLAHOMA.....	2,159,575	11	1,922,579	13	2,175,887	13
OREGON.....	560,019	0	616,225	0	717,418	0
PENNSYLVANIA.....	1,073,842	19	1,042,579	23	1,077,972	23
RHODE ISLAND.....	7,601	0	6,276	0	7,268	0
SOUTH CAROLINA.....	2,696,947	22	2,197,800	18	2,449,777	18
SOUTH DAKOTA.....	5,448,041	5	5,473,068	0	6,432,417	0
TENNESSEE.....	1,381,029	21	1,310,007	21	1,391,860	21
TEXAS.....	16,930,819	29	18,453,844	37	21,191,238	37
UTAH.....	85,984	0	97,730	0	113,803	0
VERMONT.....	25,444	0	2,409	0	2,770	0
VIRGINIA.....	1,688,448	0	1,800,218	0	2,099,437	0
WASHINGTON.....	4,159,023	22	4,243,261	23	4,801,984	23
WEST VIRGINIA.....	67,105	0	75,056	0	87,541	0
WISCONSIN.....	736,918	0	820,035	0	956,459	0
WYOMING.....	313,406	0	281,380	0	330,935	0
TOTAL ADMINISTRATIVE & OPERATING EXPENSES	\$198,321,302	853	\$201,992,000	875	\$225,626,000	875

FEDERAL CROP INSURANCE CORPORATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Federal Crop Insurance Corporation Fund

- 1 For payments as authorized by section 508(b) of the Federal Crop Insurance Act, as amended, [~~\$112,000,000~~] \$134,077,000 and for an additional amount of \$28,862,000 to reimburse the Federal Crop Insurance Corporation Fund for agents' commissions and loss adjustment obligations incurred during prior years, but not previously reimbursed, as provided for under the provisions of Section 516(a) of the Act.

This change will authorize an amount to be appropriated for payments made in prior years by the Corporation from premium income (i.e., FCIC Fund), for loss adjustment costs and master marketing expenses, which may be restored by appropriations in subsequent years, as provided for by Section 516(a) of the Federal Crop Insurance Act, as amended. The amount of restoration is necessary to prevent the depletion of capital funds necessary for payment of future indemnities.

FEDERAL CROP INSURANCE CORPORATION

Federal Crop Insurance Corporation Fund

Appropriation Act, 1989.....	\$112,000,000
Budget Estimate, 1990.....	162,939,000
Increase in Appropriation.....	<u>+50,939,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1989 Estimated	Program Changes a/	1990 Estimated
Premium Subsidy.....	\$112,000,000	+\$22,077,000	\$134,077,000
Master Marketing Exp.....	-0-	+20,058,000	20,058,000
Loss Adj. Contractors.....	-0-	+7,297,000	7,297,000
Reinsurance--Loss Adj.....	-0-	+1,507,000	1,507,000
Total Available.....	<u>\$112,000,000</u>	<u>+\$50,939,000</u>	<u>\$162,939,000</u>

a/ This net change of \$50,939,000 includes: (1) \$28,862,000 which is the reimbursement to the Federal Crop Insurance Corporation Fund for obligations incurred in prior years, but not previously reimbursed; and (2) \$22,077,000 which represents the increase in premium subsidy.

PROJECT STATEMENT
(On basis of appropriation)

	1988 Actual		1989 (Est.)			1990 (Est.)	
	Amount	SY	Amount	SY	Increase	Amount	SY
FCIC FUND:							
Premium					(1):		
Subsidy....	\$228,523,000	0	\$112,000,000	0	+\$22,077,000	\$134,077,000	0
Master Mark.					(2):		
Expenses....	-0-	0	-0-		+20,058,000	20,058,000	0
Loss Adj.					(3):		
Contractors:	-0-	0	-0-	0	+7,297,000	7,297,000	0
Reinsurance					(4):		
Loss Adj....	-0-	0	-0-	0	+1,507,000	1,507,000	0
Total, FCIC							
Fund.....	\$228,523,000	0	\$112,000,000	0	+\$50,939,000	\$162,939,000	0

PROJECT STATEMENT
(On basis of available funds)

	1988	1989	Increase/	1990
	Actual	Estimated	Decrease	Estimated
FCIC FUND:				
Indemnities.....	\$217,427,322	\$145,935,000	-7,086,000	\$138,849,000
Other Expenses.....	33,982,946	42,378,000	-13,928,000	28,450,000
Reinsurance				
Losses, Net.....	1,211,953,642	609,262,000	-53,868,000	555,394,000
Total Available or Estimated	\$1,463,363,910	\$797,575,000	-74,882,000	\$722,693,000
Offsetting Collections from:				
Non-Federal Sources.....	-321,589,203	-406,940,000	+6,749,000	-400,191,000
Unobligated Balance				
Available--Start of Year....	-371,796,799	-358,545,092	-21,365,000	-379,910,092
CCC Transfer.....	-900,000,000	-300,000,000	+125,000,000	-175,000,000
Unobligated Balance				
Available--End of Year.....	358,545,092	379,910,092	+15,437,000	395,347,092
Total Appropriation.....	<u>\$228,523,000</u>	<u>\$112,000,000</u>	<u>+\$50,939,000</u>	<u>\$162,939,000</u>

EXPLANATION OF PROGRAM

The Federal Crop Insurance Act of 1980, as amended, authorizes the payment of up to 30 percent of the adjusted insurance premium of each producer participating in the program. Subsidies will be paid by the Corporation based upon 30 percent of the risk premium (reduced, where applicable, for hail and fire exclusion) on any coverage under the Corporation's policy of insurance of up to a maximum of 65 percent of the recorded or appraised yield, and encourage the broadest possible participation of agricultural producers in the program.

The Corporation's budget is presented in accordance with Generally Accepted Accounting Principles (GAAP), Financial Accounting Standards Board (FASB), Statement No. 5, "Accounting for Contingencies," and/or Statement No. 60, "Accounting and Reporting by Insurance Enterprises."

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$22,077,000 for premium subsidy (\$112,000,000 available in fiscal year 1989).

Need for change. The Federal Crop Insurance Act, as amended, authorizes the Corporation to subsidize producers' premiums. The purpose of the subsidy is to encourage the broadest possible participation of farm producers in the crop insurance program.

Nature of Change. In accordance with Generally Accepted Accounting Procedures (GAAP), the premium subsidy appropriation for fiscal year 1990 consists of 90 percent of the premium subsidy for crop year 1990 and 10 percent of the premium subsidy for crop year 1989. Subsidy for both crop years is estimated at 25 percent of total premium.

- (2) An increase of \$20,058,000 for reimbursement of agents' commission obligations (master marketing expenses) and loss adjustment costs (\$0 available in FY 1989).

Need for Change. The Federal Crop Insurance Act, as amended, allows for reimbursement to the Corporation for agents' commission obligations (master marketing expenses) incurred during prior years, but not previously reimbursed.

Nature of Change. This increase represents the reimbursement of master marketing expenses incurred in FY 1989.

- (3) An increase of \$7,297,000 for reimbursement of loss adjustment costs (\$0 available in FY 1989).

Need for Change. The Federal Crop Insurance Act, as amended, allows for reimbursement to the Corporation for loss adjustment obligations incurred during prior years, but not previously reimbursed.

Nature of Change. This increase is for the 1990 reimbursement for the cost of loss adjustment contractors in FY 1989.

- (4) An increase of \$1,507,000 for reimbursement to the Federal Crop Insurance Corporation Fund for reinsurance-loss adjustment expenses (\$0 available in FY 1989).

Need for Change. The Federal Crop Insurance Act, as amended, allows for reimbursement to the Corporation for reinsurance-loss adjustment expenses incurred during prior years, but not previously reimbursed.

Nature of Change. This increase represents the reimbursement of reinsurance-loss adjustment expenses incurred in FY 1989.

UNITED STATES DEPARTMENT OF AGRICULTURE
FEDERAL CROP INSURANCE CORPORATION

Geographic Breakdown Of Obligations And Staff-Years
1988 Actual and estimated 1989 and 1990

AGENCY: FEDERAL CROP INSURANCE CORPORATION

LOCATION	1988 Actual		1989 Estimated		1990 Estimated	
	-----		-----		-----	
Appropriation		Staff-		Staff-		Staff-
Financial Project	Amount	Years	Amount	Years	Amount	Years
<u>UNDISTRIBUTED</u>						
Federal Crop Insurance						
Crop Insurance Fund:						
Premium Subsidy.....	\$228,523,000	-0-	\$112,000,000	-0-	\$134,077,000	-0-
All Other.....	1,234,840,910	-0-	685,575,000	-0-	588,616,000	-0-
TOTAL, FCIC FUND...	\$1,463,363,910	-0-	\$797,575,000	-0-	\$722,693,000	-0-

* Because of the unpredictability of the location of sales and losses, it is impractical to estimate the State cost distribution at this time.

FARMERS HOME ADMINISTRATION

Purpose Statement

The Farmers Home Administration was established November 1, 1946, by the Farmers Home Administration Act of 1946. Farmers Home Administration's program activities include:

FARMER PROGRAMS:

Farm ownership loans - are made to farmers and ranchers who are or will be owner operators of a not larger than family-size farm and who cannot obtain credit elsewhere to improve or acquire farms, refinance debts, finance non-farm enterprises, or make additions to farms. The interest rate for insured loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to 1 percent additional. However, loans to limited resource borrowers bear interest of not more than one-half of the cost-of-money but not less than 5 percent per year and will be increased when periodic reviews indicate a borrower is able to pay an increased rate up to the cost-of-money rate. The applicable interest rate is increased by 2 percent if the project being financed involves the use of prime farmland for non-farm purposes. The interest rate for guaranteed loans is negotiated by the lender and borrower. The term for farm ownership loans is usually 30 years, but may be up to 40 years when the longer term is needed.

Operating loans - provide short-to-intermediate term production or chattel credit to farmers who are or will be the operators of a not larger than family-size farm and who cannot obtain credit elsewhere. Loan terms include a repayment period not to exceed 7 years but may be rescheduled for up to 15 additional years. The interest rate for insured loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to 1 percent additional. However, loans to limited resource borrowers bear interest at a rate 3 percent below the cost-of-money and will be increased when periodic reviews indicate a borrower is able to pay an increased rate up to the cost-of-money rate. The interest rate is increased by 2 percent if the project being financed involves the use of prime farmland for non-farm purposes. The interest rate for guaranteed loans is negotiated by the lender and borrower.

Emergency disaster loans - are made to farmers in counties declared as emergency disaster areas or in contiguous counties to restore production. Family farmers who cannot get credit elsewhere are eligible for actual loss loans of up to \$500,000 per disaster at a rate of 4.5 percent. Repayment terms for actual loss loans vary according to the purposes of the loan, type of collateral available to secure the loan, and the projected repayment ability of the borrower. Loans for actual production or physical losses to crops, livestock, supplies and equipment may be scheduled for repayment for up to seven years. Under some conditions a longer repayment period may be authorized for production loss loans, but not to exceed 20 years. Generally, real estate will be needed as security when more than seven years is authorized. Loss loans for actual losses to real estate will generally be scheduled for repayment within 30 years but under some conditions may be scheduled for up to 40 years.

Soil and water loans - are made to farmers, ranchers and non-operator owners for land and water development, use, and conservation. Loans are repayable in not more than 40 years. The interest rate for insured loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to 1 percent additional. The interest rate is increased by 2 percent if the project being financed involves the use of prime farmland for

non-farm purposes. Guaranteed loans bear an interest rate negotiated by the lender and the borrower.

State mediation grants - are made to States which have been certified by FmHA as having an agricultural loan mediation program which meets the requirements for certification. Grants will be solely for operation and administration of the State's Agricultural Loan Mediation Program. A grant will not exceed 50 percent of the total fiscal year funds that a qualifying State requires to operate and administer its Agricultural Loan Mediation Program. In no case will the total amount of a grant exceed \$500,000 annually.

HOUSING PROGRAMS:

Section 502 - Subsidized housing loans - are made to repair or purchase new or existing housing in order to provide very low-income and low-income rural residents who cannot obtain credit elsewhere, with a modest, safe, and sanitary single family dwelling at rates and terms they are able to afford. Families are eligible who meet certain criteria and qualify for interest credit which reduces the effective interest rate for the borrower to as low as 1 percent. Loans are repayable normally in 33 years, or 38 years under certain conditions. Not less than 40 percent of the funding authorized nationally is to be set aside for very low-income families or persons, and not less than 30 percent of the funding allocated to each State is to be available for very low-income families or persons.

Section 502 - Nonsubsidized housing loans - are made to finance equity and make repairs in connection with transfers, repairs and renovation to existing borrower dwellings, and repairs to suitable inventory dwellings in connection with credit sales; or to low or very low-income applicants that are otherwise eligible for the program but do not require interest credit assistance under the interest credit formula. This credit is made available to those who cannot obtain credit elsewhere. The interest rate is based on Treasury's cost-of-money. The term for repayment is normally 33 years.

Section 515 - Rural rental and cooperative housing loans - are made to individuals, corporations, associations, State or local public agencies, trusts, or partnerships to provide moderate cost rental or cooperative housing and related facilities for elderly persons and other persons of low-income and very low-income or moderate-income in rural areas. These loans are repayable in not more than 50 years, and the interest rate to the borrower is based on Treasury's cost-of-money with provisions for interest reductions under certain circumstances based on tenant income. These loans, with the exception of loans to State or local public agencies, are made only if the need for necessary housing cannot be met with financial assistance from other sources. Loans may also be made to provide equity payments to borrowers whose Section 515 loans could otherwise be prepaid and removed from the program. Equity loans can also be made to nonprofit organizations and public agencies wishing to purchase projects that are eligible for prepayment.

Section 521 - Rural rental assistance payments - are made to owners of FmHA financed rental projects in order to make housing affordable to very low-income occupants at rates commensurate to their incomes. Rental rates to tenants are not to exceed the higher of (1) 30 percent of the monthly adjusted income, (2) 10 percent of monthly income, or (3) the portion of the welfare assistance payments specifically designated for housing costs in the case of a person or a family receiving such assistance. For fiscal year 1989, Congress authorized and appropriated assistance under Section 502(c)(5)(D) for debt forgiveness or payments to eligible households of subsidized tenant rents in projects purchased by eligible nonprofit organizations or public agencies to prevent diversion of low-income rental housing by virtue of Section 515 loan

prepayment. The Agency plans to use the subsidy payment mechanism of the rental assistance program to accomplish this mandate.

Section 504 - Very low-income housing repair grants - are made to low-income persons to make necessary repairs to their dwellings in order to make them safe and remove health hazards to the families or the community. Recipients must be 62 years of age or older, handicapped, or disabled and unable to repay a loan. These grants carry a lifetime assistance limitation of \$5,000 per recipient.

Section 504 - Very low-income housing repair loans - are made to very low income persons to repair or improve their dwellings in order to make them safe and sanitary or to remove health hazards to the families or the community. Loans are made at a 1 percent interest rate for not more than 20 years. The loan recipient is limited to lifetime assistance for loans or combination of loans and grants of not to exceed \$7,500.

Section 514 - Rural housing for domestic farm labor loans - are made to farm owners, to public or private nonprofit organizations, or to nonprofit organizations of farm workers to provide modest living quarters, basic household furnishings, and related facilities for farm workers. The loans are repayable in not more than 33 years and bear interest not in excess of 1 percent, except under certain circumstances. The interest rate limitation may be waived by the Secretary of Agriculture in favor of a Treasury cost-of-money based interest rate in order to provide needed housing and related facilities for migrant domestic farm laborers if sponsoring farm owners have substantial assets but are unwilling to secure private financing to provide the needed housing. Loans to organizations may be made simultaneously with farm labor housing grants and are made only if the necessary housing cannot be provided with financial assistance from other sources.

Section 516 - Rural housing for domestic farm labor grants - are made to public or broad-based private nonprofit organizations, States or political subdivisions, or nonprofit organizations of domestic farm workers. Grant assistance, not to exceed 90 percent of the total development costs, is provided for new construction or rehabilitation of existing buildings suitable for dwelling use by domestic farm labor. Funds also may be used for essential related facilities such as dining halls, community rooms or buildings, infirmaries or other essential services, including basic household furnishings. These grants may be made simultaneously with domestic farm labor housing loans.

Section 524 - Rural housing site loans - are made for purchase and development of land to be subdivided into building sites and sold on a nonprofit basis to low-income and moderate-income families or to organizations for rental or cooperative housing. Insured loans are made for a 2-year period at an interest rate based on Treasury's cost-of-money.

Section 523 - Mutual and self-help housing grants - are especially designed to aid the development of mutual or self-help housing programs under which groups of families build their own homes by mutually exchanging labor. Grants are used to provide technical and supervisory assistance to rural families who build their homes by the self-help method.

Section 509 - Compensation for construction defects - payments are made to eligible Section 502 borrowers to pay for making structural repairs on newly constructed dwellings built or purchased as approved by the Agency. The assistance must be requested by the owner of the property within 18 months after the loan is closed or final construction inspection is made. Claims will not be paid until provisions under the builder's warranty have been fully pursued.

Section 533 - Housing preservation grants - are made to eligible nonprofit private groups, Indian tribes, or Government agencies for the rehabilitation of single family housing owned by low-income and very low-income rural families and the rehabilitation of rental and cooperative housing for low-income and very low-income rural families.

Self-help housing land and development fund - provides qualified public or private nonprofit organizations with financing for the acquisition and development of rural building sites for houses to be constructed by the self-help method. Loans are made for a 2-year period at an interest rate not to exceed 3 percent.

COMMUNITY PROGRAMS:

Community facility loans - are insured loans authorized to be made to public, quasi-public, and nonprofit associations and to certain Indian tribes for essential community facilities including necessary related equipment. Loans are repayable in not more than 40 years. These loans bear interest not in excess of the current market yield for comparable term municipal obligations. Those loans, made in areas where: (1) the median household income falls below the higher of 80 percent of the statewide nonmetropolitan median household income or the poverty level, and (2) the project is needed to meet health or sanitary standards, bear interest not in excess of 5 percent. An intermediate rate based on the poverty rate plus one-half the difference between 5 percent and the market rate, with a ceiling of 7 percent, will apply for those projects that do not meet the requirements for the 5 percent interest rate but are located in areas where the median household income does not exceed 100 percent of the statewide nonmetropolitan median household income. Loan recipients also have their choice between the interest rate in effect at the time of loan approval or loan closing. An additional 2 percent is added to the interest rate if projects are built on prime farmland, unless the borrower is a public body and there are no suitable optional sites.

Water and waste disposal loans - are insured loans authorized to be made to public, quasi-public, and nonprofit associations, and to certain Indian tribes for the development, replacement, or upgrading of water systems and waste disposal systems. These loans are repayable in not more than 40 years. These loans bear interest not in excess of the current market yield for comparable term municipal obligations. Those loans, made in areas where: (1) the median household income of the service area falls below the higher of 80 percent of the statewide nonmetropolitan median household income or the poverty level; and (2) the project is needed to meet applicable health or sanitary standards, bear interest not in excess of 5 percent. An intermediate rate based on the poverty rate plus one-half the difference between 5 percent and the market rate, with a ceiling of 7 percent, will apply for those projects that do not meet the requirements for the 5 percent interest rate but are located in areas where the median household income does not exceed 100 percent of the statewide nonmetropolitan median household income.

Water and waste disposal grants - are authorized to be made to public, quasi-public, and nonprofit associations, and to certain Indian tribes for the development, storage, treatment, purification, and distribution of water or the collection, treatment, or disposal of waste in rural areas. Grants are used for water and waste disposal projects servicing the most financially needy communities to reduce user costs to a reasonable level for farmers, ranchers, and other rural residents. Grants may be made to communities that have a median household income that falls below the higher of the poverty line or 100 percent of the State's nonmetropolitan median household income. Grant rates are based on a graduated scale providing higher rates for projects in communities that have lower income levels but may not exceed 75 percent of the development costs of the project. The grant rate for communities whose income

percent of the State's nonmetropolitan median household income may not exceed 55 percent of the development cost of the project. In addition, P.L. 99-198, the Food Security Act of 1985, provided that not less than 1 percent nor more than 2 percent of the water and waste disposal grant funds appropriated each year be made available for technical assistance and training of eligible grantee associations.

Business and industrial guaranteed loans - are guarantees issued to local lenders on loans made to public, private, or cooperative associations organized for profit or nonprofit, to certain Indian tribes or tribal groups, corporate entities, or to individuals for the purpose of improving, developing, or financing business, industry, and employment, and improving the economic and environmental climate in rural communities. These guaranteed loans are made at rates agreed upon by the borrower and lender with a maturity of 7, 15, or 30 years depending on the collateral offered, and a maximum of \$10 million per loan.

Rural Development/Intermediary loans - are to be made to intermediary borrowers (i.e., private nonprofit corporations, state or local government agencies, Indian tribes, and cooperatives) who, in turn, will relend the funds to rural businesses, private nonprofit organizations and others meeting the criteria for ultimate recipients. Financial assistance from the intermediary to the ultimate recipient must be for community development projects, the establishment of new businesses and/or the expansion of existing businesses, creation of employment opportunities and/or saving existing jobs. The total amount of FmHA loan funds requested by the intermediary plus the outstanding balance of existing FmHA loan(s) may not exceed \$3,000,000 per intermediary.

Indian tribe land acquisition loans - are made to qualified Indian tribes or tribal corporations to acquire land or interest in land within the tribe's reservation or Alaskan Indian community, as determined by the Secretary of the Interior. The interest rate is determined by the Secretary of Agriculture. It does not exceed the cost-of-money to the Government except for those tribes who are unable to pay the higher rate currently may be charged a lower interest rate. Loans are repayable in not more than 40 years.

Watershed works of improvement and flood prevention loans - are made to local sponsors of projects approved for operation by the Soil Conservation Service. Loans are made to local organizations for installing, repairing, or improving watersheds and water storage facilities, purchasing sites or rights-of-way, and related costs. These loans are repayable in not more than 50 years at an interest rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity. Total loans outstanding on any one project may not exceed \$10 million.

Resource conservation and development loans - are made to local sponsors of projects approved for operation by the Soil Conservation Service. Loans are made to local organizations for planned conservation measures and works of improvement as specified in approved work plans. These loans are repayable in not more than 30 years at an interest rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity.

Rural development grants - are industrial development grants to finance and facilitate development of small and emerging private business enterprises in rural areas or cities of up to 50,000 population. Priority is given to applications for projects in open country, rural communities and towns of 25,000 and smaller and economically distressed communities. Industrial development grants include grants made to third party lenders to establish revolving loan programs.

Other rural development grants - are provided from funds transferred from the Appalachian Regional Commission and other Federal organizations for cooperative efforts in rural development. The funded projects focus on basic needed facilities essential to the region's growth and economic development.

General - In fiscal year 1990, the budgeted lending programs will be comprised of insured and guaranteed loans. The term "insured" is defined as loans made from the revolving funds, which are held in a pool as security for certificates of beneficial ownership that are sold to investors. Presently, no certificates of beneficial ownership are being sold. The purchaser's investment is fully insured by the Government against any loss of either principal or interest. Generally, no insured loan is made to anyone who can secure adequate credit from other sources at reasonable rates and terms. The Rural Development Act of 1972 authorized financial assistance to be provided to borrowers by guaranteeing loans made by a Federal or State chartered bank, savings and loan association, cooperative lending agency, or approved lending institution.

The term "guarantee" is defined as "to guarantee the payment of a loss on a loan originated, held, and serviced by a private financial agency or other lender approved by the Secretary." Technical guidance in planning and carrying out sound operations is provided to borrowers on the basis of their individual problems and needs.

As of September 30, 1988, FmHA's portfolio was about 1.6 million loans with principal indebtedness of about \$62 billion. FmHA administers its programs through the Washington Headquarters, 46 State offices, a National Finance Office in St. Louis, Missouri, and approximately 2,200 district and county offices utilizing the services of about 3,000 supervisors and 5,000 local committee members. As of September 30, 1988, there were 15,057 FmHA employees, of which 11,361 were full-time employees in permanent positions. Of these, 520 PFT and 30 others were based in Washington and 10,841 PFT and 3,666 others were in the field.

Available Funds and Staff Years, 1988 and Estimated 1989 and 1990

(Note: The following table reflects appropriations and transfers from other agencies.)

Item	1988 Actual		1989 Estimated		1990 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Farmers Home Administration						
Rural Housing insurance fund:						
Reimbursement for interest subsidies and losses.....	a/: 2,964,249,000:	--	3,660,061,000:	--	2,677,897,000:	--
Rural rental assistance reimbursement.....	149,587,167:	--	182,428,000:	--	218,945,000:	--
Subtotal, rural housing insurance fund.....	3,113,836,167:	--	3,842,489,000:	--	2,896,842,000:	--
Agricultural credit insurance fund:						
Reimbursement for interest subsidies and losses.....	a/b/: 3,605,153,000:	--	3,467,596,000:	--	4,462,159,000:	--
Rural development insurance fund:						
Reimbursement for interest subsidies and losses .. .	a/c/: 835,182,000:	--	d/: 1,596,047,000:	--	1,474,499,000:	--
Rural development loan e/ fund.....	7,500,000:	--	11,000,000:	--	12,000,000:	--
Rural water and waste f/ disposal grants	109,395,000:	--	109,395,000:	--	75,000,000:	--
Rural community fire protection grants.. .	3,091,000:	--	3,091,000:	--	--	--
Rural Housing for g/ Domestic Farm Labor.	9,513,000:	--	9,513,000:	--	5,000,000:	--
Mutual and self-help h/ housing grants.	8,000,000:	--	8,000,000:	--	--	--
Very low income housing repair grants.	12,500,000:	--	12,500,000:	--	10,000,000:	--
Housing voucher program.....	--	--	--	--	360,000,000:	--
Compensation for construction defects.....	713,000:	--	500,000:	--	250,000:	--
Rural housing preservation grants.....	19,140,000:	--	19,140,000:	--	15,000,000:	--
Rural development grants.. .	6,500,000:	--	6,500,000:	--	--	--
Salaries and Expenses:						
Direct appropriation	i/: 408,337,043:)		i/: 415,517,497:)		418,334,000:)	
Transfer from ACIF.....	1,000,000:)	10,018:	1,000,000:)	9,643:	1,000,000:)	9,483
Transfer from ACIF and RHIF..	--:)		3,000,000:)		3,000,000:)	
Subtotal, salaries and expenses.	409,337,043:	10,018:	419,517,497:	9,643:	422,334,000:	9,483
Total.....	8,139,860,210:	10,018:	9,505,288,497:	9,643:	9,733,084,000:	9,483

Available Funds and Staff Years, 1988 and Estimated 1989 and 1990-Continued

Item	1988 Actual		1989 Estimated		1990 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Other obligations under						
Farmers Home Administration						
accounts:						
Agricultural credit insur-						
ance fund (emergency loan:						
programs administrative						
funds)	73,430,000:	2,205:	107,478,000:	3,020:	107,590,000:	3,022
Obligations under other USDA						
appropriations:						
Soil Conservation Service:						
Watershed protection &						
flood prevention.....	255,000:	8:	255,000:	8:	153,000:	6
Resource conservation						
and development.....	60,000:	2:	60,000:	2:	50,000:	2
Total, Soil Conservation						
Service.....	315,000:	10:	315,000:	10:	203,000:	8
Miscellaneous reimbursements:						
Agricultural Service						
Centers	240,718:	--:	528,000:	--:	528,000:	--
Soil Conservation Service						
Sharing automation, main-						
tenance and system admini-						
strative costs.	43,000:	--:	50,000:	--:	50,000:	--
Total, Agricultural						
Appropriations.....	8,213,888,928:	12,233:	9,613,659,497:	12,673:	9,841,455,000:	12,513
Other Federal Funds:						
Other program funds from						
Federal sources:						
Appalachia Regional Devel-						
opment Program Grants.....	9,992,458:	--:	9,000,000:	--:	8,000,000:	--
Total, other program						
funds..	9,992,458:	--:	9,000,000:	--:	8,000,000:	--
Other administrative funds						
from Federal sources:						
Appalachia Regional Conser-						
vation Program and Econom-						
ic Development Administra-						
tion..	50,667:	2:	70,000:	2:	70,000:	2
Sales of Property through						
GSA.....	13,843:	--:	15,000:	--:	15,000:	--
Miscellaneous Receipts						
(health clinic, jury duty,						
etc.).....	17,952:	--:	22,000:	--:	22,000:	--
Total, other administra-						
tive funds.....	82,462:	2:	107,000:	2:	107,000:	--
Total, other funds.....	10,074,920:	2:	9,197,000:	2:	8,107,000:	2
Total, Farmers Home						
Administration.	8,223,963,848:	12,235:	9,622,766,497:	12,675:	9,849,562,000:	12,515

Available Funds and Staff Years, 1988 and Estimated 1989 and 1990-Continued

	<u>1988</u> <u>Actual</u>	<u>1989</u> <u>Estimated</u>	<u>1990</u> <u>Estimated</u>
Full time Equivalent Staff-Years:			
Ceiling.....	12,235	12,675	12,515
Non Ceiling.....	498	500	500
Total.....	<u>12,733</u>	<u>13,175</u>	<u>13,015</u>

- a/ Includes funds to reimburse FY 1984 and FY 1985 losses that were not reimbursed in FY 1987.
- b/ Excludes \$12,000,000 transferred to the Commodity Credit Corporation as authorized by P.L. 100-202 and \$10,000,000 transferred to the Soil Conservation Service as authorized by P.L. 100-393.
- c/ Excludes \$7,500,000 transferred to the Rural Development Loan Fund as authorized by the 1988 Continuing Resolution, P.L. 100-202.
- d/ Excludes \$11,000,000 transferred to the Rural Development Loan Fund as authorized by P.L. 100-460.
- e/ In addition, \$6,500,000 in repayments to the fund was available in FY 1988, an estimated \$3,000,000 in repayments will be available in FY 1989, and an estimated \$2,000,000 in repayments will be available in FY 1990.
- f/ In addition, \$1,680,366 of unobligated balances and \$8,320,776 of recoveries from prior year appropriations were available in 1988 and \$1,239,975 of unobligated balances will be made available in 1989.
- g/ In addition, \$2,234,315 of unobligated balances was available in FY 1988 and \$450,011 of unobligated balances will be made available in FY 1989.
- h/ In addition, \$5,532,639 of unobligated balances and \$764,563 of recoveries was available in FY 1988 and \$8,542,509 of unobligated balances will be made available in FY 1989.
- i/ Includes \$600,000 appropriated separately to the Office of the Administrator.

FARMERS HOME ADMINISTRATION
Permanent Positions by Grade and Staff-Year Summary
1988 and Estimated 1989 and 1990

Grade	1988				1989				1990			
	Head- quarters	Field	Total	Head- quarters	Field	Total	Head- quarters	Field	Total	Head- quarters	Field	Total
Executive Level V	1	--	1	1	--	1	1	--	1	1	--	1
ES-6	1	--	1	1	--	1	1	--	1	1	--	1
ES-5	3	--	3	3	--	3	3	--	3	3	--	3
ES-4	2	1	3	2	1	3	2	1	3	2	1	3
ES-3	2	--	2	2	--	2	2	--	2	2	--	2
ES-2	1	--	1	1	--	1	1	--	1	1	--	1
ES-1	2	--	2	2	--	2	2	--	2	2	--	2
GS/GM-15	32	49	81	32	49	81	32	49	81	32	49	81
GS/GM-14	64	18	82	64	18	82	64	18	82	64	18	82
GS/GM-13	118	452	570	118	452	570	118	452	570	118	452	570
GS-12	88	1,390	1,478	88	1,390	1,478	88	1,390	1,478	88	1,390	1,478
GS-11	39	1,532	1,571	39	1,532	1,571	39	1,532	1,571	39	1,532	1,571
GS-10	1	3	4	1	3	4	1	3	4	1	3	4
GS-9	36	1,452	1,488	36	1,452	1,488	36	1,452	1,488	36	1,452	1,488
GS-8	8	143	151	8	143	151	8	143	151	8	143	151
GS-7	41	999	1,040	41	999	1,040	41	999	1,040	41	999	1,040
GS-6	38	1,183	1,221	38	1,183	1,221	38	1,183	1,221	38	1,183	1,221
GS-5	25	2,410	2,435	25	2,410	2,435	25	2,410	2,435	25	2,410	2,435
GS-4	30	1,071	1,101	30	1,071	1,101	30	1,071	1,101	30	1,071	1,101
GS-3	8	485	493	8	485	493	8	485	493	8	485	493
GS-2	4	47	51	4	47	51	4	47	51	4	47	51
GS-1	--	3	3	--	3	3	--	3	3	--	3	3
Ungraded Positions	3	3	6	3	3	6	3	3	6	3	3	6
Total Permanent Positions	547	11,241	11,788	547	11,241	11,788	547	11,241	11,788	547	11,241	11,788
Staff Years:												
Ceiling	544	11,691	12,235	558	12,117	12,675	550	11,965	12,515	550	11,965	12,515
Non-Ceiling	17	481	498	20	480	500	20	480	500	20	480	500
Total 1/	561	12,172	12,733	578	12,597	13,175	570	12,445	13,015	570	12,445	13,015

1/ Staff-Years of overtime included: 1988, 108; 1989, 185; 1990, 185.

FARMERS HOME ADMINISTRATION

CLASSIFICATION BY OBJECTSFY 1988 and Estimated FY 1989 and FY 1990

Personnel Compensation:	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>
Headquarters.....	\$ 17,296,000	\$ 16,878,000	\$ 16,803,000
Field.....	<u>240,848,000</u>	<u>237,314,000</u>	<u>236,634,000</u>
11 Total personnel compensation..	258,144,000	254,192,000	253,437,000
12 Personnel benefits.....	45,491,000	52,255,000	53,318,000
13 Benefits for former personnel...	<u>463,112</u>	<u>610,000</u>	<u>550,000</u>
Total personnel compensation and benefits.....	304,098,112	307,057,000	307,305,000
Other Objects:			
21 Travel.....	15,333,000	16,715,000	16,918,000
22 Transportation of things.....	1,597,000	2,030,000	2,147,000
23.2 Rental payments to others.....	13,747,000	15,557,000	15,954,000
23.3 Communications, utilities and miscellaneous charges.....	29,225,000	34,126,000	34,459,000
24 Printing and reproduction....	2,749,000	3,367,000	3,659,000
25 Other services.....	27,990,000	33,728,000	34,332,000
26 Supplies and materials.....	2,937,000	4,209,000	4,314,000
31 Equipment.....	4,601,904	2,530,000	3,040,000
41 Grants, subsidies and contributions.....	177,880,349	181,872,000	467,250,000
42 Insurance claims and indemnities.....	136,721	180,000	188,000
43 Interest and dividends.....	<u>12,636</u>	<u>18,000</u>	<u>18,000</u>
Total other objects.....	<u>276,259,610</u>	<u>294,332,000</u>	<u>582,279,000</u>
Total direct obligations.....	<u>580,357,722</u>	<u>601,389,000</u>	<u>889,584,000</u>
<u>Position Data:</u>			
Average Salary, ES positions.....	\$72,413	\$75,392	\$75,392
Average Salary, GS positions.....	\$24,550	\$25,555	\$25,555
Average Grade, GS positions..	7.83	7.83	7.83

September 30, 1987												September 30, 1988			
All Borrowers						Borrowers Delinquent			All Borrowers			Borrowers Delinquent			
Number	Amount of Loans Outstanding	Number	% of Del	Amount Delinquent	% of All	Number	Amount of Loans Outstanding	Number	% of Del	Amount Delinquent	% of All				
Agricultural Credit Insurance Fund															
Individual Loans:															
118,379	7,451,280	26,989	23	448,843	6	114,839	7,301,783	28,179	25	614,788	8				
109,793	5,879,148	36,516	33	1,112,893	19	109,083	5,698,319	41,871	38	1,441,802	25				
174	11,145	41	24	1,530	14	150	10,512	48	30	2,028	19				
102,967	8,639,571	40,297	39	3,906,614	45	97,634	8,413,455	43,080	44	4,801,549	57				
42,859	3,505,033	19,483	46	1,081,903	31	41,286	3,376,279	20,481	50	1,408,611	42				
14,494	277,257	4,106	28	40,137	14	13,712	264,346	4,108	30	52,615	20				
Association Loans:															
172	16,813	21	12	1,611	10	160	16,169	16	10	1,529	9				
245	56,092	22	9	3,702	7	236	54,307	13	6	3,655	6				
584	58,121	19	3	429	1	568	56,052	19	3	1,037	2				
29	86,556	4	14	196	0	29	86,496	1	3	188	0				
239	72,745	5	2	429	1	232	70,697	4	2	428	1				
136	13,940	12	9	605	4	131	12,947	10	8	654	5				
390,071	26,067,701	127,515	33	6,598,892	25	378,070	25,361,362	137,820	37	9,328,694	33				
Total, ACIF.....															
Rural Housing Insurance Fund															
27,306	57,167	2,943	11	564	1	26,887	55,832	2,627	10	2,904	5				
383,024	12,405,256	82,831	22	57,942	0	370,232	12,215,960	66,693	18	53,912	0				
362,612	5,796,991	82,422	23	195,594	3	360,495	6,016,319	69,268	19	240,150	4				
12,594	182,932	1,350	11	2,049	1	13,646	209,880	1,067	8	650	0				
1,284	135,453	247	19	2,132	2	1,282	134,738	197	15	2,143	2				
14,307	7,824,235	1,728	12	31,437	0	14,678	8,279,310	1,166	8	29,728	0				
2	359	0	0	0	0	2	863	1	50	7	1				
801,129	26,402,393	171,521	21	289,718	1	787,222	26,912,902	141,014	18	329,494	1				
Total, RHIF.....															

FARMERS HOME ADMINISTRATION
COMPARISON OF LOAN DELINQUENCY RATE
(Dollars in Thousands)

Rural Development Insurance Fund												

Community Facilities Loans:												
Water and Waste	9,680	5,262,197	125	1	8,399	0	7,907	4,038,502	91	1	8,502	0
Other Community Facilities....	2,062	1,162,319	52	3	3,703	0	1,843	1,000,578	38	2	3,931	0
Insured Business and Industry Loans.....	25	37,656	6	24	1,450	4	25	36,915	6	24	1,683	5
Total, RDIF	11,767	6,462,172	183	2	13,552	0	9,775	5,075,995	135	1	14,116	0

Community Service Admins. 3/												

Economic Opportunity Loans:												
Individual.....	167	213	145	87	192	90	214	316	191	89	301	95
Cooperative....	34	2,121	9	27	126	6	38	2,669	17	45	1,296	49
Total, CSA.....	201	2,334	154	77	318	14	252	2,985	208	83	1,597	54
Total, FAMA.....	1,203,168	58,934,660	299,373	25	6,902,480	12	1,175,319	57,353,244	279,189	24	8,673,903	15

1/ Includes non-farm enterprise loans.

2/ Activity for Section 523 Site Loans is part of the Self-Help Land Development Fund.

3/ FAMA is responsible only for servicing in on Equal Opportunity Loans, the last of which were made in FY 1974.

Jan 6 11:23 1989

Farmers Home Administration
Summary of Program Levels: FY 1988 - FY 1990
(Dollars in Thousands)

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	FY 1988 ACTUAL NUMBER	AMOUNT	FY 1989 CURRENT NUMBER	ESTIMATE AMOUNT	FY 1990 BUDGET NUMBER	AMOUNT
AGRICULTURAL CREDIT INSURANCE FUND						
Direct Farm Ownership Loans	1,371	114,979	1,100	95,000	550	50,000
Guaranteed Farm Ownership Lns	2,436	362,087	4,700	724,000 (a)	1,250	200,000 (c)
Farm Operating Loans	23,167	899,501	22,280	900,000	14,320	600,000
Guaranteed Farm Operating Lns	9,853	892,578	27,580	2,598,109 (b)	28,700	2,800,000
Direct Emergency Disaster Lns	554	29,891	10,700	600,000	860	50,000
Direct Soil and Water Loans	342	4,505	800	11,000	0	0
Guaranteed Soil and Water Lns	6	214	10	3,000	0	0
Indian Land Acquisition Loans	2	461	2	2,000	0	0
Watershed and Flood Prev.Lns	0	0	2	7,949	0	0
Resource, Conserv and Dev Lns	0	0	2	1,207	0	0
Interest Buy-Down Program	(2,338)	16,515	(9,730)	100,000	(9,730)	100,000
State Mediation Grants	0	0	14	3,000	17	2,000
SUBTOTAL ACIF	37,731	2,320,731	67,190	5,045,265	45,697	3,802,000
RURAL HOUSING INSURANCE FUND						
Sec 502 Dir Single Fam Housing	35,508	1,270,803	35,400	1,266,710	0	0
Sec 515 Dir Multi-Fam Housing	722	554,936	695	554,900	225	100,000
Sec 504 Housing Repair Loans	2,438	7,622	3,500	11,330	0	0
Sec 514 Farm Labor Hsg Loans	61	11,372	60	11,480	0	0
Sec 524 RH Site Dev Loans	0	0	5	570	0	0
Sec 521 Rental Assistance	1,865	275,302	1,860	275,310	0	0
Sec 502 Rental Assistance	0	0	80	15,000	0	0
SUBTOTAL RHIF	40,594	2,120,035	41,600	2,135,300	225	100,000
HOUSING SUPPORT PROGRAMS						
Sec 516 Farm Labor Hsg Grants	14	11,297	10	9,963	5	5,000
Sec 504 Housing Repair Grants	3,656	12,500	3,600	12,500	2,900	10,000
Sec 523 Mutual S/H Hsg Grants	23	5,755	58	16,543	0	0
Sec 509 Construction Defects	70	258	130	500	65	250
Sec 523 Self-Hous Land Dev Lns	0	0	2	500	0	0
Sec 533 Hous Preservation Gts	156	19,140	150	19,140	115	15,000
Housing Vouchers-RRAP Units	0	0	0	0	(20,000)	360,000
SUBTOTAL HOUSING SUPPORT	3,919	48,950	3,950	59,146	3,085	390,250
RURAL DEVELOPMENT INSURANCE FUND						
Direct Water and Waste Loans	662	330,380	643	330,380	379	200,000
Guar Water and Waste Loans	0	0	0	0	95	50,000
Dir Community Facility Loans	234	95,700	227	95,700	0	0
Guar Community Facility Loans	0	0	0	0	116	50,000
Guaranteed B&I Loans	85	95,415	750	295,700	81	95,700
SUBTOTAL RDIF	981	521,495	1,620	721,780	671	395,700
RURAL DEVELOPMENT LOAN FUND						
Intermediary Relending Loans	9	13,990	9	13,683	9	14,000
SUBTOTAL RDLF	9	13,990	9	13,683	9	14,000
RURAL DEVELOPMENT GRANT PROGRAMS						
Water and Waste Grants	328	119,359	295	110,635	195	75,000
Rural Development Grants	27	6,500	36	6,500	0	0
SUBTOTAL RD GRANTS	355	125,859	331	117,135	195	75,000
TOTAL FmHA PROGRAMS	83,589	5,151,060	114,700	8,092,309	49,882	4,776,950
SALARIES AND EXPENSES						
Direct Salaries and Expenses		408,337		415,517		418,334
Transfer Salaries and Expenses		75,111		112,478		112,478
OTHER PROGRAMS						
Fire Grants	3,786	3,071	3,000	3,091	0	0

(a) Includes \$250 million transferred from GOL to provide loans for purchase of inventory of the FCS.

(b) Transferred \$548,109 from FY 1988 EM disaster loans to GOL: Funds provided per P.L. 100-387.

(c) In addition, \$250 million may be transferred if needed from GOL for lns for purchase of FCS inventory property.

FARMERS HOME ADMINISTRATION

The 1990 Budget Estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Housing Insurance Fund

From funds in the Rural Housing Insurance Fund, and for insured loans as authorized by title V of the Housing Act of 1949, as amended,

- 1 [\$1,844,990,000, of which not less than \$1,794,420,000 shall be]
\$100,000,000 for subsidized interest loans to low-income borrowers, as
- 2 determined by the Secretary, [and for subsequent loans to existing
borrowers or to purchasers under assumption agreements or credit sales, and
for loans to finance sales or transfers to nonprofit organizations or
public agencies of not more than 5,000 rental units related to pre-
payment;] and not to exceed \$10,000,000 to enter into collection and
servicing contracts pursuant to the provisions of section 3(f)(3) of the
Federal Claims Act of 1966 (31 U.S.C. 3718).
- 3 [For rental assistance agreements entered into or renewed pursuant to the
 authority under section 521(a)(2) of the Housing Act of 1949, as amended,
 total new obligations shall not exceed \$275,310,000, to be added to and
 merged with the authority provided for this purpose in prior fiscal years:
 Provided, That of this amount not to exceed \$109,918,000 is available for
 newly constructed units financed by section 515 of the Housing Act of 1949,
 as amended, and not less than \$5,082,000 is for newly constructed units
 financed under sections 514 and 516 of the Housing Act of 1949: Provided
 further, That \$160,310,000 is available for expiring agreements and for
 servicing of existing units without agreements: Provided further, That
 agreements entered into or renewed during fiscal year 1989 shall be funded
 for a five-year period, although the life of any such agreement may be
 extended to fully utilize amounts obligated: Provided further, That
 agreements entered into or renewed during fiscal years 1985, 1986, 1987,
 and 1988, may also be extended beyond five years to fully utilize amounts
 obligated.]

For an additional amount to reimburse the Rural Housing Insurance Fund for
 interest subsidies and losses sustained in prior years, but not
 previously reimbursed, in carrying out the provisions of title V of the
 Housing Act of 1949, as amended (42 U.S.C. 1483, 1487(e), and 1490a(c)),
 including [\$1,381,000] \$1,317,000 as authorized by section 521(c) of the

- 4 Act [, also including not to exceed \$15,000,000 for debt forgiveness or
 payments for eligible households as authorized by section 502(c)(5)(D) of
 the Act, and not to exceed \$10,000 per project for advances to nonprofit
 organizations or public agencies to cover direct costs (other than
 purchase price) incurred in purchasing projects pursuant to section 502
 (c)(5)(C) of the Act]; [\$3,660,061,000] \$2,677,897,000. For an additional
 amount as authorized by section 521(c) of the Act such sums as may be
 necessary to reimburse the fund to carry out a rental assistance program
 under section 521(a)(2) of the Housing Act of 1949, as amended.

[CITY OF LINCOLN]

- 5 [Hereafter, the area within the present city limits of the city of Lincoln,
 Burleigh County, State of North Dakota, and the southeast quarter (SE1/4)
 of section eighteen (18), township one hundred thirty-eight (138) north,
 range seventy-nine (79) west, Burleigh County, North Dakota, shall continue
 to be eligible for loans and payments administered by the Farmers Home
 Administration through the Rural Housing Insurance Fund.]

The first change deletes the language that dually authorizes insured loans on a
total basis and a lesser amount for the subsidized interest loan component for
 loans authorized from the Rural Housing Insurance Fund. Only subsidized
 interest loans are proposed for FY 1990.

The second change eliminates language authorizing certain types of section 502 loans, and certain loans to finance sales or transfers to nonprofit organizations or public agencies related to prepayment of section 515 loans.

The third change deletes the language that authorizes and limits amounts to be made available for rental assistance agreements.

The fourth change eliminates language authorizing debt forgiveness or payments for eligible households as authorized by section 502(c)(5)(D), and advances to nonprofit organizations or public agencies to cover direct costs incurred in purchasing projects pursuant to section 502(c)(5)(C).

The fifth change eliminates language which specifically mandates continued eligibility for the city of Lincoln, North Dakota, under Rural Housing Insurance Fund programs.

Rural Housing Insurance Fund

(a) On Basis of Program Levels

Program Levels, 1989.....	\$2,135,300,000
Program Levels, 1990.....	100,000,000
Decrease in Program Levels.....	<u>-2,035,300,000</u>

SUMMARY OF DECREASES

(On basis of program level authorizations)
(Dollars in millions)

Item of Change	1989 Authorized	Program Changes	1990 Estimated
Low-Income Housing Assistance:			
Subsidized Interest Rate Loans:			
Repair loans (sec. 504).....	\$ 11.3	-\$11.3	--
General purpose loans (sec. 502).....	1,202.7	-1,202.7	--
Domestic farm labor housing loans (sec. 514).....	11.5	-11.5	--
Rental or cooperative loans (sec. 515).....	554.9	-454.9	\$100.0
Subtotal, Low-Income Housing Loan Assistance.....	1,780.4	-1,680.4	100.0
Non-subsidized Housing Loan Assistance:			
Loans for servicing the existing portfolio and special hardship.....	14.0	-14.0	--
Low-income non-interest credit.....	50.0	-50.0	--
Site loans (sec. 524).....	0.6	-0.6	--
Subtotal, Moderate-Income Housing Loan Assistance.....	64.6	-64.6	--
TOTAL LOAN ASSISTANCE.....	1,845.0	-1,745.0	100.0
Rural Rental Assistance:			
Rental assistance payments (sec. 521).....	275.3	-275.3	--
Rental assistance payments in lieu of debt forgiveness (sec. 502(c)(5)(D)).....	15.0	-15.0	--
TOTAL RURAL RENTAL ASSISTANCE.....	290.3	-290.3	--
TOTAL PROGRAM LEVELS.....	2,135.3	-2,035.3	100.0

RURAL HOUSING INSURANCE FUND

PROJECT STATEMENT

(On the basis of loan levels)
(Dollars in millions)

Project	1988 Actual		1989 Estimated		Decrease	1990 Estimated	
	No. of Units	Amount	No. of Units	Amount		No. of Units	Amount
Low-Income Housing Assistance:							
Subsidized Interest Rate Loans:							
Repair loans (sec. 504).....	2,145	\$ 7.6	3,100	\$ 11.3	\$ 11.3(1)	--	--
General purpose loans (sec. 502).....	25,866	1,252.1	23,870	1,202.7	-1,202.7(2)	--	--
Domestic farm labor housing loans (sec. 514).....	449	11.4	400	11.5	-11.5(3)	--	--
Rental or cooperative loans (sec. 515).....	16,465	554.9	15,400	554.9	-454.9(4)	2,000	\$100.0
Non-Subsidized Interest Rate Loans:							
Loans for servicing existing portfolio (sec. 502).....	--	8.8	--	14.0	-14.0(2)	--	--
Low-income non-interest credit (sec. 502).....	334	9.8	1,630	50.0	-50.0(2)	--	--
Site loans (sec. 524) a/.....	--	--	--	0.6	-0.6(5)	--	--
TOTAL LOAN ASSISTANCE.....	45,259	1,844.7	44,400	1,845.0	-1,745.0	2,000	100.0
Rural Rental Assistance:							
Rural rental assistance payments (sec. 521).....	(24,921)	275.3	(24,921)	275.3	-275.3(6)	--	--
Rental assistance in lieu of debt forgiveness (sec. 502(c)(5)(D)).....	--	--	(1,357)	15.0	-15.0(7)	--	--
TOTAL RURAL RENTAL ASSISTANCE.....	(24,921)	275.3	(26,278)	290.3	-290.3	--	--
TOTAL PROGRAM LEVELS.....	45,259	2,120.0	44,400	2,135.3	-2,035.3	2,000	100.0

Staff years are reflected in the Salaries and Expense Project Statement.

a/ Site loans do not produce units of housing. They are usually made in conjunction with section 502 or section 515 loans and the units would be counted under these categories.

EXPLANATION OF PROGRAM

The Rural Housing Insurance Fund (RHIF) was established under the authority contained in section 1003 (a) of the Housing and Urban Development Act of 1965 (Public Law 89-117), approved August 10, 1965. Public Law 89-117 authorized an appropriation of such sums as may be necessary for the purposes of the fund. An Appropriation of \$100,000,000 was provided by the Supplemental Appropriation Act, 1966, (Public Law 89-309), to capitalize the fund for future operations.

Public Law 89-117 transferred authorities for making insured farm labor housing loans and insured rural rental or cooperative housing loans from the Agricultural Credit Insurance Fund to the Rural Housing Insurance Fund. Public Law 90-448, approved August 1, 1968, authorized interest credits to the accounts of certain qualified borrowers. Public Law 91-152, approved December 24, 1969, transferred the assets, liabilities, and authorizations of the Rural housing direct loan account to the Rural Housing Insurance Fund. Public Law 91-609, approved December 31, 1970, made a number of changes in the loan and grant programs for farm labor housing.

The Housing and Community Development Act of 1974, Public Law 93-383, approved August 22, 1974, provides that loans may be made in areas with a population in excess of 10,000 but less than 20,000 if such an area is not included within a standard metropolitan statistical area and has a serious lack of mortgage credit as determined by the Secretary of Agriculture and the Secretary of Housing and Urban Development. This authority was amended by Public Law 94-375, approved August 3, 1976, to specify that there must be a serious lack of mortgage credit for low and moderate income families. The Housing and Community Development Act of 1974 also established a rural rental assistance program to be administered by Farmers Home Administration through the Rural Housing Insurance Fund. The Housing and Community Development Act of 1977, Public Law 95-128, approved October 12, 1977, provided for numerous changes in FmHA's rural housing authorities. The most significant were: changes made to the guaranteed housing program authorities to make the program more attractive to local lenders and to limit its scope to above moderate income applicants only, as defined by FmHA; provision for payments from the RHIF to borrowers for compensation for correction of construction defects, claims resulting from such defects, or the acquisition of title to the property, where a newly constructed unit purchased with financial assistance from FmHA is found by the Secretary to have structural defects; and provision for FmHA-held acquired property to be subject to taxation by State and local political subdivisions in the same manner and to the same extent as other property is taxed.

The Supplemental Appropriations Act for the fiscal year ending September 30, 1984, and for other purposes, (also known as the "Housing and Urban-Rural Recovery Act of 1983") Public Law 98-181, approved November 30, 1983, provided for numerous changes in FmHA's rural housing programs. The most significant were to: target and give priority to very low-income persons in making housing assistance available in rural areas; adopt HUD income limits, eligibility criteria and definitions of adjusted income; make single or multi-family loans for manufactured housing units and authorize up to \$10 million for innovative demonstrations of housing and building systems that differ from FmHA minimum property standards; permit rental housing projects on scattered sites; limit rent increases; require certain priorities regarding occupancy for rental assistance payments; and emphasize housing of modest size, design and cost. Also, Section 533 was added to provide Housing Preservation Grants for rehabilitation purposes.

The Housing and Community Development Technical Amendments Act of 1984, Public Law 98-479, approved October 17, 1984 made additional technical changes to the Housing programs as a result of the previously passed Housing and Urban-Rural Recovery Act of 1983. The most significant changes were: to remove references to the Secretary of Housing and Urban Development in establishing low and very low family income levels; to require a nationwide minimum of 40 percent of Section 502 funding to be set aside for very low-income families and to establish a minimum of 30 percent of those funds to be allocated to each state for very low-income

families; to restrict the interchange funding authority of the Secretary; and to establish new priorities for the rental assistance program including extension of expiring contracts.

The Housing and Community Development Act of 1987 provides further enhancements to FmHA's existing housing programs. A high priority in the law is the requirement for FmHA to provide a series of incentives and options in dealing with prepayment of pre-1979 rural rental housing loans to stem the potential loss of rental units from government subsidy and to maintain their availability for low-income families. In addition, this Act gives FmHA the authority to use area or statewide median income rather than a lower county median income if program eligibility would be widened by such application in qualifying applicants or tenants for housing assistance, permits the Agency to continue assistance to borrowers with above moderate income when necessary to the well-being of the family, provides FmHA additional servicing options by mandating the Agency to escrow taxes and insurance, permits the cost of applying for housing assistance to be part of the loan, changes the equity contribution for Section 515 rural rental housing from 5% to 3%, and prohibits the charging of processing and transfer fees in the Section 515 program.

Rural housing building and repair loans (Section 502 of the Housing Act of 1949, as amended) - Loans are made to enable eligible low income applicants to purchase, construct, improve, alter, repair or replace dwellings in rural areas, if their need for necessary housing cannot be met with financial assistance from other sources. Not less than 40 percent of the funding authorized nationally shall be set aside and not less than 30 percent in each state will be available for very low-income families. These loans bear a note rate based on the cost-of-money to the Treasury with provisions for interest credit which may reduce the interest rate to as low as 1 percent under certain circumstances. Such loans may not exceed amounts necessary to provide adequate housing, modest in size, design, and cost.

Building loans are made to farm owners, owners of other real estate in rural areas, others who are or will become rural residents, and long-term leaseholders. These loans are generally repayable in not more than 33 years; however, persons whose incomes do not exceed 60 percent of the median income for the area, could receive loans with maturities of up to 38 years.

Rural housing very low-income repair loans (Section 504 of the Housing Act of 1949, as amended) - Loans are authorized to be made to very low-income individuals and families to repair their dwellings in order to make them safe and remove health hazards. The loans are made at 1 percent for a term of not more than 20 years and presently carry a maximum lifetime assistance level (loan or combination loan and grant) of \$7,500.

Rural rental and cooperative building loans (Section 515 of the Housing Act of 1949, as amended) - Loans are authorized to be made to individuals, corporations, Indian tribes, associations, public bodies, trusts, or partnerships to provide moderate cost rental or cooperative housing and related facilities for elderly or handicapped persons or families and other persons of low, very low, and moderate income in rural areas. Priority for rural rental housing loans is for applicants proposing to serve low and very low-income families and persons in most rural areas. These loans are repayable in not more than 50 years and currently bear a note rate based on the cost-of-money to the Treasury with provision for interest credits to benefit tenants by reducing the interest rate to as low as 1 percent under certain circumstances. These loans are made only if the need for necessary housing cannot be met with financial assistance from other sources except in the case of public bodies. The Farmers Home Administration has in the past made its rural rental housing loans in conjunction with the Department of Housing and Urban Development's Section 8 rent subsidy program. Loans made for units that have received Section 8 assistance bear an interest rate that is reduced either 1 percent or 2 percent below the unsubsidized rate, depending upon the circumstances of the individual project.

Rural housing site loans (Section 524 of the Housing Act of 1949, as amended) - Loans are made for the purchase and development of land to be subdivided into building sites for low to moderate income housing borrowers and rural rental and cooperative housing borrowers. Loans are made at a note rate based on the cost-of-money to the Treasury, and are repayable in 2 years.

Farm labor housing loans (Section 514 of the Housing Act of 1949, as amended) - Loans are authorized to be made to a farm owner, to certain public or broad-based private nonprofit organizations, public bodies, or to a nonprofit organization of farmworkers to provide modest living quarters, basic household furnishings, and related facilities, including land necessary for an adequate site, for domestic farm labor. Loans will be made based on a determination of need considering housing needs of domestic farm labor, including migrant farmworkers in the area without regard to other housing needs in the area. These loans are repayable in not more than 33 years and bear interest not in excess of 1 percent, except under certain circumstances. Loans to organizations may be made simultaneously with farm labor housing grants which are discussed elsewhere in these justifications.

Rural rental assistance payments (Section 521 of the Housing Act of 1949, as amended) - Rural rental assistance payments are authorized to be made to owners of FmHA financed rural rental or cooperative housing or domestic farm labor housing facilities in order that low-income tenants will contribute no more than the higher of (1) 30 percent of monthly adjusted income, (2) 10 percent of monthly income, or (3) designated housing payments from a welfare agency. The program is administered in tandem with FmHA section 515 rural rental and cooperative housing programs, or the farm labor loan and grant programs. For FY 1989, Congress authorized and appropriated assistance under section 502(c)(5)(D) for debt forgiveness or payments for eligible households to subsidize tenant rents in projects purchased by eligible nonprofit organizations or public agencies to prevent diversion of low-income rental housing by virtue of section 515 loan prepayment. The agency plans to use the subsidy payment mechanism of the rental assistance program to accomplish this mandate.

JUSTIFICATION OF DECREASES

The President's Budget requests \$100 million of new loan program funding under the Rural Housing Insurance Fund. In place of the traditional FmHA housing programs, FmHA is proposing that a rural housing voucher system be implemented, based on the same payment standards and regulations set by the Department of Housing and Urban Development for its Section 8 voucher program. To this end, the Budget includes elsewhere, \$360,000,000 for funding an estimated 20,000 units or families for a 5-year term. The changes in RHIF program levels consist of:

- (1) A decrease of \$11,330,000 for section 504 very low-income housing repair loans (\$11,330,000) available in FY 1989).

Need for change. The budget proposes to provide housing assistance through a housing voucher program.

Nature of change. No funding is requested in FY 1990. The program is to be replaced by the rural housing voucher program which directs benefits to very low-income families, provides housing assistance more efficiently and offers a greater choice of housing and location to program recipients.

- (2) A decrease of \$1,266,710,000 for section 502 low-to-moderate income rural housing loans to individuals (\$1,266,710,000 available in FY 1989).

Need for change. The budget proposes to provide housing assistance through a housing voucher program.

Nature of change. No funding is requested in FY 1990. Families eligible to be assisted under this program will be eligible for assistance under the housing voucher program which provides housing assistance more efficiently and offers a greater choice of housing and location to program recipients.

- (3) A decrease of \$11,480,000 for section 514 domestic farm labor housing loans (\$11,480,000 available in FY 1989).

Need for change. The budget proposes to provide housing assistance through a housing voucher program.

Nature of change. No funding is requested in FY 1990. Families eligible to be assisted under this program will be eligible for assistance under the housing voucher program which provides housing assistance more efficiently and offers a greater choice of housing and location to program recipients. Elsewhere, section 516 domestic farm labor housing grant funding, is proposed at a \$5 million level for FY 1990. Grant funds can be used in conjunction with private resources or state/local government programs to provide farm labor housing.

- (4) A decrease of \$454,900,000 for section 515 rental or cooperative housing loans (\$554,900,000 available in FY 1989).

Need for change. The budget proposes to provide housing assistance through a housing voucher program. However, the rural housing voucher program is contingent upon suitable rental housing being available in rural areas. A modest level of funding should be retained for rural areas with a significant lack of available rental housing stock.

Nature of change. A funding level of \$100,000,000 is requested in FY 1990 to be targeted to rural areas experiencing significant shortages of rental housing. Families normally eligible to be assisted under the section 515 loan program will be eligible for assistance under the housing voucher program which provides assistance more efficiently and offers a greater choice of housing and location to program recipients.

- (5) A decrease of \$570,000 for section 524 site loans (\$570,000 available in FY 1989)

Need for change. Historically this program has been utilized sporadically and at minimal levels. Little impact will result from non-funding.

Nature of change. The budget proposes termination of the program.

- (6) A decrease of \$275,310,000 for rural rental assistance payments (\$275,310,000 available in FY 1989).

Need for change. The budget proposes to provide housing assistance through a housing voucher program.

Nature of change. No funding requested for FY 1990. Families eligible to be assisted under this program will be eligible for assistance under the housing voucher program which will provide housing assistance more efficiently and offers a greater choice of housing and location to program recipients. Priority will be given to tenants adversely impacted by expiring rental assistance contracts.

- (7) A decrease of \$15,000,000 for rental assistance in lieu of debt forgiveness (\$15,000,000 available in FY 1989).

Need for change. The budget proposes to provide housing assistance through a housing voucher program.

Nature of change. No funding requested for FY 1990. Families eligible to be assisted under this program will be eligible for assistance under the housing voucher program which will provide housing assistance more efficiently and offers a greater choice of housing and location to program recipients.

(b) Reimbursement for Interest Subsidies and Losses

Appropriation Act, 1989.....	\$3,842,489,000	1/
Budget Estimate, 1990.....	2,896,842,000	2/
Decrease in Appropriation.....	<u>-945,647,000</u>	

- 1/ Includes reimbursement for payments made under the rural rental assistance program in the amount of \$182,428,000.
- 2/ Include reimbursements for payments made under the rural rental assistance program in amount of \$218,945,000.

PROJECT STATEMENT
(On basis of appropriation)
(In thousands of dollars)

Project	1988 Actual	1989 Actual	Increase or Decrease	1990 Estimated
Reimbursement for Interest				
Subsidies and Losses:				
General purpose loans...	\$1,877,022	\$1,899,734	-\$137,933	\$1,761,801
Rental or cooperative				
loans.....	659,253	715,406	+183,101	898,507
Domestic farm labor				
loans.....	16,189	16,156	+200	16,356
Site loans.....	-6,498	47	+1,186	1,233
Sale of loan assets.....	--	1,028,718	-1,028,718	--
Subtotal, subsidies and				
losses.....	2,545,966	3,660,061	-982,164(1)	2,677,897
Rural rental assistance				
payments.....	149,587	182,428	+36,517(2)	218,945
Total Losses.....	2,695,553	3,842,489	-945,647	2,896,842
Appropriation for FY 1985				
losses not reimbursed				
in FY 1987.....	+418,283	--	--	--
Total Appropriation	3,113,836	3,842,489	-945,647	2,896,842

EXPLANATION OF PROGRAM

This appropriation is proposed to reimburse the Rural Housing Insurance Fund for funded interest subsidies and losses incurred in fiscal year 1988. Section 521(c)(1) of the Housing Act of 1949, as amended, authorizes annual appropriations to the Rural Housing Insurance Fund of the amounts by which interest payments made from the fund to investors in insured loans exceed the interest due from borrowers. In addition, section 517(e) of the Act authorizes appropriations to restore all other losses to the fund. The amount requested is exclusive of provision for future losses and unfunded costs.

JUSTIFICATION OF INCREASE AND DECREASE

- (1) A decrease of \$982,164,000 for reimbursement of interest subsidies and other losses incurred in 1988 (\$3,660,061,000 in interest subsidies and losses incurred in 1987).

Need for change. A decrease of \$982,164,000 for reimbursement for interest subsidies and losses is due to several factors. The primary reason for the decrease can be attributed to the \$1,028,718,000 loss recorded in conjunction with the sale of rural housing loans in September of 1987, which had no counterpart in FY 1988. Also, the fund realized a gain of \$107,995,000 on the redemption of Certificates of Beneficial Ownership from the Federal Financing Bank which further reduced the FY 1988 losses. The principal item offsetting the decreases caused by the items identified above was a decrease in interest income of \$253,176,000. This, too, was caused principally by the FY 1987 asset sale, since the fund divested itself of \$2.969 billion of nonsubsidized interest rate loans and their income did not accrue to the benefit of the RHIF during FY 1988.

Nature of change. The amount requested will reimburse the Rural Housing Insurance Fund for interest subsidies and other losses incurred during FY 1988.

- (2) An increase of \$36,517,000 for rural rental assistance payments (\$182,428,000 estimated in 1989).

Need for change. The amount requested represents the current estimate of FY 1990 disbursements for rental assistance agreements which were obligated in prior years.

Nature of change. The increase of \$36,517,000 is attributable to additional new construction units that will receive assistance during FY 1990 from FY 1989 and prior year obligations, the annualization of partial year payments to other units added in FY 1989, plus any general inflation to assistance costs for all the units projected to be under rental assistance agreements in FY 1990.

The following schedule presents an analysis of change in the cash position of the fund.

Change in Cash Position of the Fund
(In thousands of dollars)

	<u>1988 Actual</u>	<u>1989 Estimated</u>	<u>1990 Estimated</u>
Cash balance, beginning of year.....	<u>\$3,205,077</u>	<u>\$ 13,958</u>	<u>\$ 21,757</u>
Outlays.....	<u>-3,611,339</u>	<u>-3,294,690</u>	<u>-1,595,394</u>
Funds for financing:			
Appropriation for reimbursement of interest subsidies and losses.....	2,964,249	3,660,061	2,677,897
Appropriation for reimbursement of rental assistance payments.....	149,587	182,428	218,945
Principal transferred on participation certificates.....	-8,616	--	--
Treasury borrowings.....	5,720,000	4,880,000	3,800,000
Repayment of borrowings from Treasury.....	-5,425,000	-4,420,000	-2,900,000
Repayments of borrowings from FFB...	--	-1,000,000	-1,990,000
Repayment of borrowings from FFB ahead of schedule.....	<u>-2,980,000</u>	<u>--</u>	<u>--</u>
Net financing.....	<u>420,220</u>	<u>3,302,489</u>	<u>1,806,842</u>
Cash balance, end of year.....	<u>13,958</u>	<u>21,757</u>	<u>233,205</u>

Sale of Subordinated Security investment

In FY 1990, the Agency proposes to sell its investment in subordinated securities that were acquired as part of the proceeds from the FY 1987 securitized loan asset sale. The subordinated securities will be sold without recourse after the servicing function has been successfully transferred to the private sector. Net proceeds are projected to be \$300 million.

An analysis by loan program of the accrued operating deficit, exclusive of unfunded losses and rental assistance, is shown in the following table. In accordance with the accounting principles and standards followed by FmHA, this schedule is prepared on an accrual basis.

Rural Housing Insurance Fund

Operating Income and Expense Statement
(In Thousands of Dollars)

	Income		Expense		Net	
	Interest	Other	Total	Interest	Other	Total
1988 Actual						
General purpose loans.....	\$ 984,235	\$108,221	\$1,092,456	\$2,598,805	\$ 60,875	\$ 302,522
Domestic farm labor loans.....	1,198	1,734	2,932	18,901	--	387
Rental or cooperative loans.....	270,371	3,505	273,876	1,163,901	252	8,230
Site loans.....	-18	18	--	76	--	1,157
Sale of loan assets (CBO redemption)...	--	107,945	107,945	--	--	--
TOTAL.....	1,255,786	221,423	1,477,209	3,781,683	61,127	312,296
1989 Estimate						
General purpose loans.....	950,000	105,800	1,055,800	2,508,000	85,000	286,800
Domestic farm labor loans.....	1,460	790	2,250	19,510	200	400
Rental or cooperative loans.....	284,500	1,600	286,100	1,197,800	200	7,800
Site loans.....	40	6	46	85	--	300
TOTAL.....	1,236,000	108,196	1,344,196	3,725,395	85,400	295,300
1990 Estimate						
General purpose loans.....	955,000	72,061	1,027,061	2,262,000	97,000	269,000
Domestic farm labor loans.....	1,540	870	2,410	19,749	300	400
Rental or cooperative loans.....	304,400	1,700	306,100	1,211,000	300	7,600
Site loans.....	60	9	69	100	--	300
Sale of subordinated security investment.....	--	125,339	125,339	--	--	--
TOTAL.....	1,261,000	199,979	1,460,979	3,492,849	97,600	277,300

1/ Does not include rural rental assistance payments.

The following schedules present an analysis of outlays by loan program for fiscal years 1988, 1989 and 1990.

RURAL HOUSING INSURANCE FUND

Analysis of Outlays by Loan Program
Fiscal Year 1988
(In thousands of dollars)

	General Purpose Loans	Domestic Farm Labor Loans	Rental or Cooperative Loans	Site Loans	Total
Funds for program operations:					
Funds expended:					
Loans made by the fund.....	\$1,345,887:	\$ 5,202:	\$ 536,460:	--:	\$1,887,549
Purchase of loans and certificates of beneficial ownership (public).....	233,077:	789:	48,565:	\$ 3:	282,434
Rental assistance payments.....	--:	3,240:	146,347:	--:	149,587
Collections disbursed to investors.....	40,128:	--:	--:	--:	40,128
Interest expense.....	2,634,302:	19,124:	1,177,612:	77:	3,831,115
Interest credits on loans.....	1,391:	--:	--:	--:	1,391
Interest credits - loan asset sale.....	1,369:	--:	--:	--:	1,369
Administrative expense.....	15,123:	110:	6,787:	--:	22,020
Loss settlement, guaranteed loans.....	404:	--:	--:	--:	404
Other.....	128,754:	-223:	6,530:	12:	135,073
Total funds expended.....	4,400,435:	28,242:	1,922,301:	92:	6,351,070
Funds received:					
Repayments on loans.....	1,182,997:	4,832:	97,913:	45:	1,285,787
Payments of interest on loans.....	951,392:	1,156:	262,309:	2:	1,214,859
Sale of insured loans.....	12,865:	--:	--:	--:	12,865
Collections received for investors.....	15,439:	--:	--:	--:	15,439
Insurance premiums and guarantee fees.....	41:	--:	--:	--:	41
Late fees.....	--:	1:	1,005:	--:	1,006
Interest income on investments - asset sale.....	25,905:	--:	--:	--:	25,905
Return of investment - asset sale.....	1,339:	--:	--:	--:	1,339
Servicing fee income - asset sale.....	19,178:	--:	--:	--:	19,178
Prepayment discount on CBOs - FFB.....	107,945:	--:	--:	--:	107,945
Protective advance fund income and recoveries.....	984:	--:	--:	--:	984
Other.....	76,479:	-370:	-21,724:	-2:	54,383
Total funds received.....	2,394,564:	5,619:	339,503:	45:	2,739,731
OUTLAYS.....	2,005,871:	22,622:	1,582,798:	47:	3,611,339

RURAL HOUSING INSURANCE FUND

Analysis of Outlays by Loan Program
Fiscal Year 1989
(In thousands of dollars)

	General Purpose Loans	Domestic Farm Labor Loans	Rental or Cooperative Loans	Site Loans	Total
Funds for program operations:					
Funds expended:					
Loans made by the fund.....	\$1,274,512:	\$17,208:	\$ 563,076:	\$204:	\$1,855,000
Purchase of loans and certificates of of beneficial ownership (public).....	150,000:	510:	32,579:	--:	183,089
Rental assistance payments.....	--:	6,028:	176,400:	--:	182,428
Collections disbursed to investors.....	5,000:	--:	--:	--:	5,000
Interest expense.....	2,519,000:	19,650:	1,203,660:	85:	3,742,395
Interest credits on loans.....	350:	--:	--:	--:	350
Interest credits - loan asset sale.....	3,194:	--:	--:	--:	3,194
Administrative expense.....	16,000:	100:	6,524:	--:	22,624
Loss settlement, guaranteed loans.....	200:	--:	--:	--:	200
Other.....	133,000:	720:	6,980:	10:	140,710
Total funds expended.....	4,101,256:	44,216:	1,989,219:	299:	6,134,990
Funds received:					
Repayments on loans.....	1,290,000:	5,120:	106,800:	80:	1,402,000
Payments of interest on loans.....	950,000:	1,360:	278,600:	40:	1,230,000
Sale of insured loans.....	2,000:	--:	--:	--:	2,000
Collections received for investors.....	3,000:	--:	--:	--:	3,000
Late fees.....	--:	--:	1,000:	--:	1,000
Interest income on investments - asset sale.....	25,600:	--:	--:	--:	25,600
Return of investment - asset sale.....	4,000:	--:	--:	--:	4,000
Servicing fee income - asset sale.....	18,000:	--:	--:	--:	18,000
Protective advance fund income and recoveries.....	1,100:	--:	--:	--:	1,100
Other.....	148,000:	600:	5,000:	--:	153,600
Total funds received.....	2,441,700:	7,080:	391,400:	120:	2,840,300
OUTLAYS.....	1,659,556:	37,136:	1,597,819:	179:	3,294,690

RURAL HOUSING INSURANCE FUND

Analysis of Outlays by Loan Program
Fiscal Year 1990
(In thousands of dollars)

	General Purpose Loans	Domestic Farm Labor Loans	Rental or Cooperative Loans	Site Loans	Total
Funds for program operations:					
Funds expended:					
Loans made by the fund.....	\$ 217,270	\$10,006	\$ 509,418	\$306	\$ 737,000
Purchase of loans and certificates of of beneficial ownership (public).....	2,000	54	300	--	2,354
Rental assistance payments.....	--	7,445	211,500	--	218,945
Collections disbursed to investors.....	3,000	--	--	--	3,000
Interest expense.....	2,354,900	20,418	1,260,000	100	3,635,418
Interest credits on loans.....	280	--	--	--	280
Interest credits - loan asset sale.....	4,687	--	--	--	4,687
Administrative expense.....	16,200	110	6,690	--	23,000
Loss settlement, guaranteed loans.....	200	--	--	--	200
Other.....	128,200	700	6,800	10	135,710
Total funds expended.....	2,726,737	38,733	1,994,708	416	4,760,594
Funds received:					
Repayments on loans.....	1,320,000	5,800	118,000	200	1,444,000
Payments of interest on loans.....	955,000	1,440	298,500	60	1,255,000
Net proceeds on loan asset sale.....	300,000	--	--	--	300,000
Sale of insured loans.....	1,000	--	--	--	1,000
Collections received for investors.....	2,000	--	--	--	2,000
Late fees.....	--	--	1,000	--	1,000
Interest income on investments - asset sale.....	2,500	--	--	--	2,500
Protective advance fund income and recoveries.....	1,100	--	--	--	1,100
Other.....	152,000	750	5,850	--	158,600
Total funds received.....	2,733,600	7,990	423,350	260	3,165,200
OUTLAYS.....	-6,863	30,743	1,571,358	156	1,595,394

Rural Housing Insurance Fund
Proposal for Later Transmittal, Proposed Legislation

SUMMARY OF DECREASE - PROPOSED LEGISLATION
(On basis of outlays)

Item of Change	FY 1990			
	Current			President's
	Law	Change		Request
Outlays.....	\$1,595,394,000	:-\$1,692,000,000:		-\$96,606,000

EXPLANATION OF PROPOSED LEGISLATION

Proposed legislation will be submitted to amend Title V of the Housing Act of 1949, as amended, to provide permanent authority for sale of loans without recourse. The Budget proposes sales of loans in FY 1990 and future years. The proposed legislation would continue to protect borrower rights, but would shift the responsibility for servicing the loans to the private sector. The shift of the servicing responsibility is especially warranted because the FY 1990 Budget also proposes to terminate most of the rural housing loan programs. Proposed legislation will also be submitted by the Department of Treasury to appropriate to Treasury the difference between the face value of Certificates of Beneficial Ownership and the net proceeds from loans sold, plus any prepayment penalties associated with the redemptions of Certificates of Beneficial Ownership ahead of schedule, when such redemptions are pursuant to accomplishing sales of loan assets to the public. The Treasury will request a direct appropriation for any penalty payments foregone by the client agencies, and any discount realized on the sale.

Under the Rural Housing Insurance Fund, \$492.8 million of penalties have been projected for the redemption of \$4.5 billion of Certificates of Beneficial Ownership in 1990 as part of the proposed sales of rural housing loans. The proposed legislation would eliminate the need for the Agency to make such payments to the Federal Financing Bank from the revolving fund to accomplish the redemptions. Also, it would allow the agency to redeem the Certificates of Beneficial Ownership in full, by transmitting only the net proceeds of the sale. Since the redemption transaction is between government entities, there would be no government-wide budgetary impact.

The FY 1990 Budget proposes sales without recourse of rural housing loans in the face amount of \$4.5 billion to realize net proceeds of \$1.7 billion. The sale will consist of subsidized loans primarily and will be conducted through mortgage backed securities.

Rural Housing Insurance Fund Loan Subsidies
Proposed for Later Transmittal, Proposed Legislation - Credit Reform

Budget Estimate, Current Law, 1990.....	--
Change due to proposed legislation.....	\$98,370,000
Net Request, President's 1990 Budget Request.....	+98,370,000

SUMMARY OF INCREASE - PROPOSED LEGISLATION
(On basis of loan levels)

		FY 1990		
Item of Change	:	Current	:	Program
	:	Law	:	Changes
	:		:	President's
	:		:	Request
Loan Subsidies.....	:	--	:	+\$98,370,000:
				\$98,370,000

EXPLANATION OF PROPOSED LEGISLATION

Under the Administration's credit reform proposal the rural housing loan program proposed for FY 1990 will continue to be operated by FmHA, although the loans will be disbursed from a new general fund account in Treasury. The additional \$98.37 million requested under this proposal is required to cover the interest subsidy cost. For direct loans that have not been sold, the subsidy is the estimated present value of the difference in cost to the borrower between the Federal direct loan and alternative private financing available to the same or similar borrower for that same or similar purpose.

13-32
Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

Rural Housing Insurance Fund

Very-Low Income Housing Repair Loan Program

	1988 Amount	1989 Amount	1990 Amount
Alabama.....	283,420	334,000	--
Alaska.....	--	56,000	--
Arizona.....	5,400	134,000	--
Arkansas.....	194,850	245,000	--
California.....	72,830	399,000	--
Colorado.....	8,920	87,000	--
Connecticut.....	5,770	54,000	--
Delaware.....	6,500	24,000	--
Florida.....	97,668	266,000	--
Georgia.....	91,460	416,000	--
Hawaii.....	9,960	45,000	--
Idaho.....	16,600	69,000	--
Illinois.....	62,120	290,000	--
Indiana.....	27,840	259,000	--
Iowa.....	168,920	167,000	--
Kansas.....	44,550	127,000	--
Kentucky.....	591,340	404,000	--
Louisiana.....	235,230	300,000	--
Maine.....	339,030	107,000	--
Maryland.....	69,010	115,000	--
Massachusetts.....	10,440	104,000	--
Michigan.....	84,670	326,000	--
Minnesota.....	41,130	209,000	--
Mississippi.....	535,875	306,000	--
Missouri.....	149,750	265,000	--
Montana.....	2,500	60,000	--
Nebraska.....	21,590	80,000	--
Nevada.....	3,360	21,000	--
New Hampshire.....	11,220	55,000	--
New Jersey.....	18,530	77,000	--
New Mexico.....	47,830	114,000	--
New York.....	111,720	304,000	--
North Carolina.....	286,410	533,000	--
North Dakota.....	--	48,000	--
Ohio.....	78,050	397,000	--
Oklahoma.....	54,620	195,000	--
Oregon.....	25,810	140,000	--
Pennsylvania.....	611,890	446,000	--
Rhode Island.....	5,090	13,000	--
South Carolina.....	178,390	288,000	--
South Dakota.....	18,300	64,000	--
Tennessee.....	153,720	352,000	--
Texas.....	825,070	637,000	--
Utah.....	5,500	41,000	--
Vermont.....	45,560	44,000	--
Virginia.....	184,860	357,000	--
Washington.....	35,240	164,000	--
West Virginia.....	194,190	228,000	--
Wisconsin.....	95,090	228,000	--
Wyoming.....	2,450	37,000	--
Puerto Rico.....	143,890	408,000	--
Trust Territories..	1,240,630	863,000	--
Virgin Islands.....	--	28,000	--
Total, Available or Estimate.....	7,554,793	11,330,000	--

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

Rural Housing Insurance Fund

	Low Income Loan Program		
	1988 Amount	1989 Amount	1990 Amount
Alabama.....	22,307,920	35,165,000	--
Alaska.....	2,062,910	4,835,000	--
Arizona.....	16,905,260	13,206,000	--
Arkansas.....	22,730,480	26,252,000	--
California.....	52,397,678	47,982,000	--
Colorado.....	5,950,370	11,510,000	--
Connecticut.....	19,064,070	9,741,000	--
Delaware.....	2,493,600	3,209,000	--
Florida.....	35,892,997	33,398,000	--
Georgia.....	29,912,125	45,323,000	--
Hawaii.....	9,252,520	4,385,000	--
Idaho.....	5,804,689	8,919,000	--
Illinois.....	24,540,105	39,167,000	--
Indiana.....	13,248,660	36,292,000	--
Iowa.....	19,529,808	23,397,000	--
Kansas.....	5,893,870	17,512,000	--
Kentucky.....	34,248,130	41,019,000	--
Louisiana.....	27,794,080	30,654,000	--
Maine.....	41,294,670	13,290,000	--
Maryland.....	21,680,880	15,020,000	--
Massachusetts.....	60,081,350	16,244,000	--
Michigan.....	48,842,400	45,833,000	--
Minnesota.....	17,444,575	26,740,000	--
Mississippi.....	64,266,650	30,560,000	--
Missouri.....	26,792,970	32,818,000	--
Montana.....	5,287,190	7,577,000	--
Nebraska.....	8,663,050	11,183,000	--
Nevada.....	2,169,150	2,684,000	--
New Hampshire.....	20,155,840	8,139,000	--
New Jersey.....	36,516,349	12,908,000	--
New Mexico.....	15,835,870	10,908,000	--
New York.....	41,479,380	45,968,000	--
North Carolina.....	51,213,333	61,692,000	--
North Dakota.....	3,022,870	6,334,000	--
Ohio.....	46,080,950	53,482,000	--
Oklahoma.....	15,455,566	22,451,000	--
Oregon.....	16,433,049	18,391,000	--
Pennsylvania.....	62,016,920	63,727,000	--
Rhode Island.....	7,809,467	2,038,000	--
South Carolina.....	38,619,340	31,276,000	--
South Dakota.....	4,373,230	7,761,000	--
Tennessee.....	50,414,750	38,832,000	--
Texas.....	29,156,980	69,012,000	--
Utah.....	6,881,250	5,091,000	--
Vermont.....	16,763,560	5,365,000	--
Virginia.....	38,492,427	39,113,000	--
Washington.....	15,252,990	21,601,000	--
West Virginia.....	21,620,720	25,260,000	--
Wisconsin.....	27,721,740	31,258,000	--
Wyoming.....	5,967,890	4,531,000	--
Puerto Rico.....	46,285,940	33,112,000	--
Trust Territories..	5,496,510	9,868,000	--
Virgin Islands.....	1,178,310	3,637,000	--
Total, Available or Estimate.....	1,270,802,508	1,266,710,000	--

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

Rural Housing Insurance Fund

Rural Housing Site Loan Program

	1988 Amount	1989 Amount	1990 Amount
California.....	--	114,000	--
Florida.....	--	60,000	--
Mississippi.....	--	96,000	--
North Carolina.....	--	60,000	--
South Dakota.....	--	60,000	--
Virginia.....	--	60,000	--
Washington.....	--	60,000	--
Puerto Rico.....	--	60,000	--
Total, Available or Estimate.....	--	570,000	--

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

Rural Housing Insurance Fund

Rural Rental Loan Program

	1988 Amount	1989 Amount	1990 Amount
Alabama.....	14,612,860	18,056,000	3,404,200
Alaska.....	--	2,395,000	272,000
Arizona.....	9,930,070	6,761,000	1,145,200
Arkansas.....	14,338,210	13,509,000	2,494,800
California.....	28,835,740	19,524,000	3,697,800
Colorado.....	7,754,910	4,464,000	685,800
Connecticut.....	911,370	2,762,000	345,400
Delaware.....	4,160,700	1,412,000	75,400
Florida.....	27,400,430	14,411,000	2,675,200
Georgia.....	24,616,730	22,471,000	4,287,200
Hawaii.....	6,700	2,053,000	203,600
Idaho.....	3,045,220	3,829,000	558,800
Illinois.....	10,652,850	14,188,000	2,630,600
Indiana.....	7,467,900	13,007,000	2,394,400
Iowa.....	4,720,500	8,658,000	1,524,600
Kansas.....	1,642,340	6,472,000	1,087,400
Kentucky.....	17,444,340	21,706,000	4,134,200
Louisiana.....	21,111,840	16,267,000	3,046,400
Maine.....	18,347,430	5,576,000	908,200
Maryland.....	9,154,440	5,611,000	915,200
Massachusetts.....	30,870	5,134,000	819,800
Michigan.....	18,960,760	16,625,000	3,118,000
Minnesota.....	12,153,010	10,696,000	1,932,200
Mississippi.....	14,519,430	17,161,000	3,225,200
Missouri.....	13,642,970	14,048,000	2,602,600
Montana.....	1,194,990	3,067,000	406,400
Nebraska.....	2,453,200	4,274,000	647,800
Nevada.....	7,486,520	1,412,000	75,400
New Hampshire.....	4,234,450	2,773,000	347,600
New Jersey.....	820,000	3,952,000	583,400
New Mexico.....	3,681,370	6,007,000	994,400
New York.....	27,632,220	15,967,000	2,986,400
North Carolina.....	24,656,800	27,993,000	5,391,600
North Dakota.....	848,150	2,708,000	334,600
Ohio.....	17,187,340	19,975,000	3,798,000
Oklahoma.....	9,695,250	10,239,000	1,840,800
Oregon.....	7,494,320	6,987,000	1,190,400
Pennsylvania.....	18,296,560	22,198,000	4,232,600
Rhode Island.....	776,370	1,412,000	75,400
South Carolina.....	16,112,720	15,322,000	2,857,400
South Dakota.....	4,009,070	3,698,000	532,600
Tennessee.....	22,946,880	18,885,000	3,570,000
Texas.....	22,656,030	32,478,000	6,288,600
Utah.....	594,200	2,235,000	240,000
Vermont.....	2,553,500	2,406,000	274,200
Virginia.....	22,260,980	17,381,000	3,269,200
Washington.....	20,912,920	8,062,000	1,405,400
West Virginia.....	7,191,060	11,635,000	2,120,000
Wisconsin.....	12,642,530	11,198,000	2,032,600
Wyoming.....	1,477,260	1,681,000	129,200
Puerto Rico.....	6,753,970	31,335,000	6,051,000
Trust Territories..	--	1,412,000	75,400
Virgin Islands.....	2,995,000	1,412,000	75,400
Total, Available or Estimate.....	554,935,280	554,900,000	100,000,000

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

Rural Housing Insurance Fund

Farm Labor Housing Loan Program

	1988 Amount	1989 Amount	1990 Amount
Alabama.....	--	170,000	--
Arizona.....	--	170,000	--
Arkansas.....	252,950	428,000	--
California.....	6,191,630	4,394,000	--
Connecticut.....	--	170,000	--
Florida.....	2,140,000	1,249,000	--
Hawaii.....	267,900	268,000	--
Idaho.....	--	170,000	--
Louisiana.....	37,950	170,000	--
Maine.....	46,000	170,000	--
Maryland.....	41,080	170,000	--
Massachusetts.....	--	170,000	--
Michigan.....	971,585	861,000	--
Mississippi.....	190,700	209,000	--
Nevada.....	--	170,000	--
New Hampshire.....	--	170,000	--
New Jersey.....	40,000	170,000	--
New Mexico.....	--	170,000	--
New York.....	188,870	270,000	--
North Carolina.....	--	170,000	--
Oregon.....	101,200	170,000	--
Pennsylvania.....	57,700	170,000	--
South Carolina.....	44,450	170,000	--
Texas.....	100,020	170,000	--
Vermont.....	394,900	271,000	--
Virginia.....	50,000	170,000	--
Washington.....	148,650	300,000	--
Wisconsin.....	106,800	170,000	--
Total, Available or Estimate.....	11,372,385	11,480,000	--

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

Rural Housing Insurance Fund

Rural Rental Assistance Payments

	1988 Amount	1989 Amount	1990 Amount
Alabama.....	6,606,106	8,163,733	--
Alaska.....	1,347,734	961,089	--
Arizona.....	2,982,690	2,949,549	--
Arkansas.....	4,352,518	5,700,252	--
California.....	11,997,042	16,415,842	--
Colorado.....	3,424,570	2,319,870	--
Connecticut.....	2,121,024	1,646,003	--
Delaware.....	1,016,324	861,666	--
Florida.....	11,632,491	10,439,415	--
Georgia.....	6,672,388	7,611,383	--
Hawaii.....	607,585	541,303	--
Idaho.....	2,452,434	5,269,419	--
Illinois.....	11,433,645	9,478,326	--
Indiana.....	8,484,096	8,075,357	--
Iowa.....	8,274,203	6,738,670	--
Kansas.....	4,518,223	2,938,502	--
Kentucky.....	6,097,944	7,810,229	--
Louisiana.....	12,184,841	7,047,986	--
Maine.....	11,035,953	6,042,709	--
Maryland.....	1,811,708	3,568,181	--
Massachusetts.....	530,256	1,590,768	--
Michigan.....	8,881,788	10,461,509	--
Minnesota.....	6,175,273	6,009,568	--
Mississippi.....	9,754,501	9,765,548	--
Missouri.....	5,843,863	4,915,915	--
Montana.....	1,601,815	1,988,460	--
Nebraska.....	2,529,763	1,889,037	--
Nevada.....	1,877,990	1,402,969	--
New Hampshire.....	751,196	1,546,580	--
New Jersey.....	1,789,614	2,783,844	--
New Mexico.....	2,540,810	2,706,515	--
New York.....	3,811,215	6,462,495	--
North Carolina.....	11,356,316	11,367,363	--
North Dakota.....	1,844,849	2,640,233	--
Ohio.....	9,389,950	11,312,128	--
Oklahoma.....	6,241,555	4,628,693	--
Oregon.....	5,611,876	4,960,103	--
Pennsylvania.....	6,495,636	8,605,613	--
Rhode Island.....	33,141	397,692	--
South Carolina.....	4,540,317	5,335,701	--
South Dakota.....	4,374,612	4,926,962	--
Tennessee.....	7,434,631	6,716,576	--
Texas.....	18,304,879	13,223,259	--
Utah.....	1,447,157	1,248,311	--
Vermont.....	1,601,815	751,196	--
Virginia.....	5,081,620	6,219,461	--
Washington.....	7,887,558	6,363,072	--
West Virginia.....	4,131,578	6,164,226	--
Wisconsin.....	7,788,135	5,788,628	--
Wyoming.....	2,573,951	1,104,700	--
Puerto Rico.....	2,573,951	6,827,046	--
Trust Territories..		265,128	--
Virgin Islands.....	1,447,157	361,217	--
Total, Available or Estimate.....	275,302,287	275,310,000	--

Farmers Home Administration
1988 and Estimated 1989 and 1990

Rural Housing Insurance Fund

Rental Assistance

	1988 Amount	1989 Amount	1990 Amount
Alabama.....	--	--	--
Alaska.....	--	--	--
Arizona.....	--	--	--
Arkansas.....	--	--	--
California.....	--	--	--
Colorado.....	--	--	--
Connecticut.....	--	--	--
Delaware.....	--	--	--
Florida.....	--	--	--
Georgia.....	--	--	--
Hawaii.....	--	--	--
Idaho.....	--	--	--
Illinois.....	--	--	--
Indiana.....	--	--	--
Iowa.....	--	--	--
Kansas.....	--	--	--
Kentucky.....	--	--	--
Louisiana.....	--	--	--
Maine.....	--	--	--
Maryland.....	--	--	--
Massachusetts.....	--	--	--
Michigan.....	--	--	--
Minnesota.....	--	--	--
Mississippi.....	--	--	--
Missouri.....	--	--	--
Montana.....	--	--	--
Nebraska.....	--	--	--
Nevada.....	--	--	--
New Hampshire.....	--	--	--
New Jersey.....	--	--	--
New Mexico.....	--	--	--
New York.....	--	--	--
North Carolina.....	--	--	--
North Dakota.....	--	--	--
Ohio.....	--	--	--
Oklahoma.....	--	--	--
Oregon.....	--	--	--
Pennsylvania.....	--	--	--
Rhode Island.....	--	--	--
South Carolina.....	--	--	--
South Dakota.....	--	--	--
Tennessee.....	--	--	--
Texas.....	--	--	--
Utah.....	--	--	--
Vermont.....	--	--	--
Virginia.....	--	--	--
Washington.....	--	--	--
West Virginia.....	--	--	--
Wisconsin.....	--	--	--
Wyoming.....	--	--	--
Puerto Rico.....	--	--	--
Trust Territories..	--	--	--
Virgin Islands.....	--	--	--
Total, Available or Estimate.....	--	15,000,000 1/	--

1/ Cannot be distributed by geographic area as of this printing.

FARMERS HOME ADMINISTRATION

The 1990 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Agricultural Credit Insurance Fund:

- For direct and guaranteed loans as authorized by 7 U.S.C. 1928-1929, to be available from funds in the Agricultural Credit Insurance Fund, as follows:
- 1 farm ownership loans, [~~\$569,000,000~~] \$250,000,000, of which [~~\$474,000,000~~] \$200,000,000 shall be guaranteed loans; [~~\$14,000,000~~] \$14,000,000 for water development, use, and conservation loans, of which \$3,000,000 shall be guaranteed loans;] operating loans, [~~\$3,200,000,000~~] \$3,400,000,000, of which
 - 2 [~~\$2,300,000,000~~] \$2,800,000,000 shall be guaranteed loans; [Indian tribe land acquisition loans as authorized by 25 U.S.C. 488, \$2,000,000,] for emergency insured [and guaranteed] loans, [~~\$600,000,000~~] \$50,000,000 to meet the needs resulting from natural disasters; and for matching grants authorized by section 502(b) of the Agricultural Credit Act of 1987 (7 U.S.C. 5101-5106), [~~\$3,000,000~~] \$2,000,000.

For an additional amount to reimburse the Agricultural Credit Insurance Fund for interest subsidies and losses sustained in prior years, but not previously reimbursed, in carrying out the provisions of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1988(a)), [~~\$3,467,596,000~~] \$4,462,159,000.

The first change deletes this language since no programs, direct or guaranteed, are proposed for soil and water loans in fiscal year 1990.

The second change deletes this language since no program is proposed for Indian tribe land acquisition loans in fiscal year 1990.

Agricultural Credit Insurance Fund

(a) On Basis of Loan Levels

Program Loan Levels, 1989.....	\$4,945,265,000
Program Loan Levels, 1990.....	3,702,000,000
Decrease in Loan Levels.....	<u>-1,243,265,000</u>

SUMMARY OF INCREASE AND DECREASES
(On basis of loan levels)

Item of Change	1989 Authorized	Program Changes	1990 Estimated
Farm ownership loans:			
Direct.....	\$ 95,000,000	-\$ 45,000,000	\$ 50,000,000
Guaranteed.....	724,000,000a/	-524,000,000	200,000,000a/
Farm operating loans:			
Direct.....	900,000,000	-300,000,000	600,000,000
Guaranteed.....	2,598,109,000a/b/	+201,891,000	2,800,000,000a/
Emergency disaster loans....	600,000,000	-550,000,000	50,000,000
Soil and water loans:			
Direct.....	11,000,000	-11,000,000	--
Guaranteed.....	3,000,000	-3,000,000	--
Indian tribe land			
acquisition loans.....	2,000,000	-2,000,000	--
Watershed protection and			
flood prevention loans....	7,949,000	-7,949,000	--
Resource conservation and			
development loans.....	1,207,000	-1,207,000	--
State mediation grants.....	3,000,000	-1,000,000	2,000,000
TOTAL.....	4,945,265,000	-1,243,265,000	3,702,000,000

a/ The Agricultural Credit Act of 1987 provides that the Secretary may transfer such amounts as may be necessary from farm operating guaranteed loans to farm ownership guaranteed loans. The Agency transferred \$250,000,000 in fiscal year 1989 and proposes a transfer be made in fiscal year 1990 if necessary to fund loans for the purchase of farm credit system land.

b/ Includes a \$548,109,000 transfer from the emergency disaster loan program unobligated balance in fiscal year 1988 to guaranteed operating loan program in fiscal year 1989 as provided by P.L. 100-387.

PROJECT STATEMENT
(On basis of loan levels)
(In thousands of dollars)

Project	1988 Actual	1989 Estimated	Increase or Decrease	1990 Estimated
Farm ownership loans:				
Direct.....	\$ 114,979	\$ 95,000	-\$45,000(1)	\$ 50,000
Guaranteed.....	362,087 _{a/}	724,000 _{a/}	-524,000(2)	200,000 _{a/}
Farm operating loans:				
Direct.....	899,501	900,000	-300,000(3)	600,000
Guaranteed.....	892,578 _{a/}	2,598,109 _{a/b/}	+201,891(4)	2,800,000 _{a/}
Emergency disaster loans..	29,891	600,000	-550,000(5)	50,000
Soil and water loans:				
Direct.....	4,505	11,000	-11,000(6)	--
Guaranteed.....	214	3,000	-3,000(6)	--
Indian tribe land acquisition loans.....	461	2,000	-2,000(7)	--
Watershed protection and flood prevention loans..	--	7,949	-7,949(8)	--
Resource conservation and development loans.....	--	1,207	-1,207(9)	--
State mediation grants....	--	3,000	-1,000(10)	2,000
TOTAL.....	2,304,216	4,945,265	-1,243,265	3,702,000

Staff-years are reflected in the Salaries and Expenses Project Statement and the Available Funds and Staff Years Table.

a/ The Agricultural Credit Act of 1987 provides that the Secretary may transfer such amounts as may be necessary from farm operating guaranteed loans to farm ownership guaranteed loans. The Agency transferred \$250,000,000 in fiscal years 1988 and 1989 and proposes a transfer be made in fiscal year 1990 if necessary to fund loans for the purchase of farm credit system land.

b/ Includes a \$548,109,000 transfer from the emergency disaster loan program unobligated balance in fiscal year 1988 to the guaranteed operating loan program in fiscal year 1989 as provided by P.L. 100-387.

EXPLANATION OF PROGRAM

The Agricultural Credit Insurance Fund and its associated loan programs are authorized by title III of the Consolidated Farm and Rural Development Act, as amended. The state mediation grant program is authorized by title V of the Agricultural Credit Act of 1987.

This fund is used to insure or guarantee farm ownership, soil and water, farm operating, emergency, Indian tribe land acquisition, watershed protection, flood prevention, and resource conservation and development loans.

Public Law 92-419, approved August 30, 1972, abolished the Farmers Home Administration Direct Loan Account and the Emergency Credit Revolving Fund and provided for transfer of the assets and liabilities of, and authorizations applicable to, these accounts to the Agricultural Credit Insurance Fund. It also provided for transfer from the Agricultural Credit Insurance Fund to the Rural Development Insurance Fund of the assets and liabilities of the Agricultural Credit Insurance Fund applicable to loans for water systems and waste disposal facilities.

Real Estate Loans

Subtitle A of the Consolidated Farm and Rural Development Act contains the authorizations for farm ownership loans, recreation loans, and soil and water loans to individuals, and to farm cooperatives and private domestic corporations and partnerships that are controlled by farmers and ranchers and engaged primarily and directly in farming or ranching in the United States. Soil and water and

recreation loans are each contained as a separate type of loan because the law sets forth eligibility requirements for these loans that differ somewhat from the eligibility requirements for farm ownership loans. In most respects, however, soil and water, recreation and farm ownership loans are subject to similar authorizations and limitations but not purposes. Insured loan borrowers are required to graduate to other credit sources when they are able to do so.

Farm Ownership Loans. Farm ownership loans, accompanied by supervisory assistance in farm and financial management, preserve and improve the family farm pattern of American agriculture and strengthen the economy of rural communities.

Farm ownership loans are used for:

1. Maintaining family farms: Farm ownership loans help owner-operators restructure their debts, including those who are highly leveraged who utilize their real estate equities to refinance heavy short-term debts. In other instances, the owner-operators use real estate credit and assistance to make further adjustments in their operations, to comply with local sanitation and pollution abatement requirements, to keep up with advances in agricultural technology, to better utilize their land and labor resources and to meet changing market requirements. Farm ownership loans may be used to finance income producing recreational enterprises or other nonfarm enterprises which supplement but do not supplant farm income.
2. Purchase and development of farms: One of the functions of the farm ownership loan program is to assist farmers, especially beginning farmers, in the purchase and enlargement of farms. Applicants eligible for these loans may use this assistance for combining small tracts of land, making basic soil improvements, establishing permanent pastures, improving dwellings and essential farm buildings, developing land and water, controlling pollution, producing or saving energy, adding a nonfarm enterprise and taking other measures to increase the efficiency and income-producing capacity of their holdings.

Farm ownership loans are made to eligible individuals, cooperatives, corporations, partnerships or joint operators who (1) have sufficient training or farm experience to assure reasonable prospects of success in the proposed operation, (2) are or will become owner-operators of not larger than family-size farms, and (3) are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near where the applicant resides for loans for similar purposes and periods of time.

Loans are made for 40 years or less. A direct loan may not exceed \$200,000 and a guaranteed loan may not exceed \$300,000. The interest rate for direct loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to one percent additional. However, loans to limited resource borrowers bear interest of not more than one-half of the cost-of-money but not less than five percent per year. The applicable interest rate is increased by two percent if the project being financed involves the use of prime farm land for non-farm purposes. The interest rate for guaranteed loans is negotiated by the lender and the borrower and may be subsidized under the interest buy-down program.

Soil and Water Loans. Soil and water loans are made to individuals, cooperatives, corporations, partnerships or joint operators who own and/or operate a farm. Applicants must be unable to obtain sufficient credit elsewhere to finance actual needs at reasonable rates and terms prevailing in the community where the farm is located.

Soil and water loans may be made for soil conservation, development and use; forestation; drainage of farmland; establishment of permanent pasture, pollution control and energy saving measures. The loan limit is \$200,000 for a direct loan and \$300,000 for a guaranteed loan. The repayment period may be up to 40 years. The interest rate for direct loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to one percent additional. The interest rate is increased by two percent if the project being financed involves the use of prime farm land for nonfarm purposes. Guaranteed loans bear an interest rate negotiated by the lender and the borrower.

Operating Loans

Subtitle B of the Consolidated Farm and Rural Development Act contains the authorization for direct and guaranteed operating loans. Operating loans made by the Farmers Home Administration are accompanied by supervisory assistance in farm and financial management. Operating credit is needed by family farmers throughout the United States, who are unable to obtain credit from private and cooperative sources, to develop or maintain a reasonable standard of living. The use of operating loan funds for this purpose helps provide opportunity for farm operators to conduct successful farm operations.

Loans are made to assist (1) full-time and part-time operators to continue in agriculture and to improve their farm and home operations, (2) part-time farm operators to convert their farming operations to full-time and to improve their income and level of living while continuing to live in rural areas, (3) young farmers who lack the necessary credit to acquire the resources needed for success, and (4) rural youths.

Operating loans are made to individuals, partnerships, corporations, cooperatives or joint operators who operate not larger than family-size farms or ranches, who (1) have sufficient training or farm experience to assure reasonable prospects of success in the proposed operation, (2) are or will become operators of not larger than family farms, except for rural youths, and (3) are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near where the applicant resides, for loans for similar purposes and periods of time.

Operating loans may be made for paying costs incident to reorganizing a farming system for more profitable operations; purchasing livestock, poultry and farm equipment; purchasing feed, seed, fertilizer, insecticides, and farm supplies and meeting other essential operating expenses; financing land and water development, use, and conservation; developing recreation and other nonfarm enterprises; and refinancing existing indebtedness.

The loan limit is \$200,000 for a direct loan and \$400,000 for a guaranteed loan. Operating loans may be scheduled for payment over periods from 1 to 7 years depending on loan purposes. The interest rate for direct loans is determined by the Secretary of Agriculture and does not exceed the cost-of-money to the Government, plus up to one percent additional. However, loans to limited resource borrowers bear interest at a rate three percent below the cost-of-money. The interest rate is increased by two percent if the project being financed involves the use of prime farm land for nonfarm purposes. The interest rate for guaranteed loans is negotiated by the lender and the borrower and may be subsidized under the interest buy-down program.

Direct loan borrowers are encouraged to supplement their operating loans with credit from other sources when this is feasible. They are required to graduate to other credit sources when able to do so.

Emergency Disaster Loans

Emergency loans are made available in designated areas (counties) and in contiguous counties where property damage and/or severe production losses have occurred as a direct result of a natural disaster. Areas may be declared by the President or designated for emergency loan assistance by the Secretary of Agriculture.

Emergency loans are made to established, eligible, family size farmers, ranchers and aquaculture operators. Partnerships and private domestic corporations and cooperatives may also qualify, providing they are primarily engaged in agricultural or aquacultural production. Loans may be made only for actual losses arising from natural disasters. A farmer who cannot receive credit elsewhere is eligible for an actual loss loan of up to \$500,000 or the calculated actual loss, whichever is less, for each disaster at an interest rate of four and one-half percent. Language contained in the Food Security Act of 1985 (7 U.S.C. 1961) limits emergency loans to losses for which crop insurance is unavailable.

Actual loss loans may be made for physical losses to repair, restore or replace damaged or destroyed farm property, livestock and livestock products, and supplies, and for production losses to compensate for loss of income based on reduced production of crops and/or livestock products resulting from the disaster. Eligible farmers may use actual loss loan funds to purchase livestock, poultry, or other animals and pay costs incident to reorganizing a farming system to make it a sound operation. The reorganized farming operation, however, must be approximately equivalent in earning capacity to the operation conducted prior to the disaster. Under certain conditions, loan funds may be used to buy essential home equipment and furnishings and for limited refinancing of debts.

Repayment terms for actual loss loans vary according to the purposes of the loan, type of collateral available to secure the loan, and the projected repayment ability of the borrower. Loans for actual production or physical losses to crops, livestock, supplies and equipment may be scheduled for repayment for up to seven years. Under some conditions a longer repayment period may be authorized for production loss loans, but not to exceed 20 years. Generally, real estate will be needed as security when more than seven years is authorized. Loss loans for actual losses to real estate will generally be scheduled for repayment within 30 years but under some conditions may be scheduled for up to 40 years.

Loans to Associations and Groups

Subtitle A of the Consolidated Farm and Rural Development Act contains the authorization for Indian tribe land acquisition loans. In addition, watershed works of improvement and flood prevention loans are made to associations under the Watershed Protection Act, as amended (Public Law 83-566), and resource conservation and development loans are made to associations under section 102 of Public Law 87-703, and other existing Departmental authorities.

Indian Tribe Land Acquisition Loans. Public Law 91-229, approved April 11, 1970, authorized loans to any Indian tribe recognized by the Secretary of the Interior or tribal corporation established pursuant to the Indian Reorganization Act, which does not have adequate uncommitted funds, to acquire lands or interest in lands within the tribe's reservation or Alaskan Indian community, as determined by the Secretary of the Interior, for use of the tribe or the corporation or the members thereof. Loans are made for 40 years or less. The interest rate for these loans is determined by the Secretary of Agriculture. It does not exceed the cost-of-money to the Government, plus up to one percent additional, except, those tribes that are unable to pay the higher rate may be charged a lower interest rate.

Watershed Works of Improvement and Flood Prevention Loans. Loans are made to local organizations for financing the local share of the cost of installing, repairing or improving works of improvement and water storage facilities, purchasing sites or rights-of-way and for related costs in approved watershed works of improvement and flood prevention projects. FmHA has been assigned responsibility for making these loans to sponsors of such projects approved for operation by the Soil Conservation Service. No loan may be made until the Soil Conservation Service and the local organization have agreed on a plan for works of improvement. Public Law 92-419, approved August 30, 1972, provided for making such loans on a direct basis under the Agricultural Credit Insurance Fund.

These loans are repayable in not more than 50 years at an interest rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity. For any single plan for works of improvement, the amount of the loan may not exceed \$10 million.

Resource Conservation and Development Loans. Loans are made to local sponsoring organizations when needed for financing the local share of the cost of installing, repairing or improving works of improvement, purchasing sites or rights-of-way and for related costs in approved resource conservation and development projects. The Farmers Home Administration has been assigned responsibility for making these loans to sponsors of resource conservation and development projects approved for operation by the Soil Conservation Service. No loan may be made until the Soil Conservation Service and the local organization have agreed on a plan for development work. Public Law 92-419, approved August 30, 1972, provided for making such loans on a direct basis under the Agricultural Credit Insurance Fund.

These loans are repayable in not more than 30 years. Loans bear interest at a rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity.

State Mediation Grants

Title V of the Agricultural Credit Act of 1987 contains the authorization for state mediation grants. Grants are made to states which have been certified by FmHA as having an agricultural loan mediation program. Grants will be solely for operation and administration of the state's agricultural loan mediation program. A grant will not exceed 50 percent of the total fiscal year funds that a qualifying state requires to operate and administer its agricultural loan mediation program. In no case will the total amount of a grant exceed \$500,000 annually.

JUSTIFICATION OF INCREASE AND DECREASES

Conditions in the farm economy indicate a critical need for FmHA credit services as a lender of last resort. The adequate servicing and supervision of delinquent farmer program loans to assist borrowers to overcome financial and management difficulties and to protect the Government's interest is, and continues to be, a prime concern of FmHA. The Agency makes every effort possible to assist financially pressed farm borrowers to overcome their difficulties. FmHA has found it necessary, during recent times of economic stress, to assist applicants and borrowers to remain in farming with some of the most lenient lending policies in its history.

FmHA has undertaken a number of initiatives to expand the use of guaranteed lending. Among them are:

- (1) Interest buy-down program. The objective of the interest buy-down program is to afford farmers an opportunity to borrow money or continue a loan at two to four points less than the lenders' going rate. FmHA will "buy-down" one or two points to match a reduction by the lender. In addition, in accordance with the Agricultural Credit Act of 1987, P.L. 100-233, a

demonstration project will be undertaken in which certificates of eligibility may be issued to FmHA eligible borrowers to reduce the interest rate paid by the borrowers on loans obtained from legally organized lending institutions and Farm Credit System institutions to purchase acquired properties owned by institutions of the Farm Credit System certified to issue preferred stock under section 6.27 of the Farm Credit Act of 1971. Such certificates may be used to reduce the interest rate payable by an eligible borrower on a guaranteed loan by not more than four percent.

- (2) Operation assist. Operation assist is a referral and outreach program that will help farmers obtain operating credit under FmHA's guaranteed loan program.
- (3) Line of credit authority. This authority allows a farmer to establish a line of credit with a participating lender for certain guaranteed farm operating loan purposes.

The FY 1990 budget proposes to continue the shift to guaranteed lending. The focus on guaranteed lending will facilitate graduations of loans from FmHA to private lenders, and the transfer of most loan making responsibilities to private lenders would enable FmHA to concentrate on providing supervised credit assistance to needy borrowers, insure an effective guarantee/graduation process, and allow for improved servicing of the existing portfolio. Also, the interest rate reduction program for the guaranteed loan programs in the Agricultural Credit Insurance Fund will continue through 1993 as provided in the Agricultural Credit Act of 1987.

The following adjustments result in a net decrease of \$1,243,265,000 for loan programs financed through the Agricultural Credit Insurance Fund.

- (1) A decrease of \$45,000,000 for direct farm ownership loans (\$95,000,000 available in 1989).

Need for Change. New real estate lending will be kept at a minimum level and used to establish annual target participation rates on a county wide basis, that will ensure that members of socially disadvantaged groups will receive real estate loans and have the opportunity to purchase or lease inventory farmland. Also, real estate credit for existing FmHA borrowers will continue to be available through reamortization and rescheduling of loans secured by real estate.

Nature of Change. This program will be maintained at a minimum level to enable members of socially disadvantaged groups to take advantage of the Agency's long term farm ownership loan program.

- (2) A decrease of \$524,000,000 for guaranteed farm ownership loans (\$724,000,000 available in 1989).

Need for Change. A minimum program will be maintained to facilitate graduation of FmHA borrowers to private sector credit sources. The Agricultural Credit Act of 1987 authorizes the transfer of funds from guaranteed farm operating loans to guaranteed farm ownership loans. In FY 1989, the Agency transferred an amount of \$250,000,000 and proposes a transfer be made in fiscal year 1990 if necessary to fund loans for purchases of farm credit system land.

Nature of Change. This program will be maintained at a minimum level to give priority to operating credit needs.

- (3) A decrease of \$300,000,000 for direct farm operating loans (\$900,000,000 available in 1989).

Need for Change. The Agency will make maximum use of the guaranteed operating loan program, in lieu of the subsidized direct loan program, to facilitate participation of the private agricultural credit sector.

Nature of Change. The program level will provide 14,320 direct loans in FY 1990.

- (4) An increase of \$201,891,000 for guaranteed farm operating loans (\$2,598,109,000 available in 1989).

Need for Change. The Agency will make use of the guaranteed operating loan program to facilitate participation of the private agricultural credit sector. Operation assist, line of credit authority, and an interest buy down program will increase participation of lenders in the guaranteed loan program.

Also, the Agency has coordinated and worked with the Farm Credit Administration and private lenders to increase participation in the guaranteed loan area. The shift toward guaranteed lending will facilitate graduation of FmHA borrowers to private sector credit sources and focus FmHA staff resources on servicing requirements of its delinquent borrowers. The Agricultural Credit Act of 1937 authorizes the transfer of funds from guaranteed farm operating loans to guaranteed farm ownership loans. In FY 1989, the Agency transferred an amount of \$250,000,000 and proposes a transfer be made in fiscal year 1990 if necessary to fund loans for the purchase of farm credit system land.

Nature of Change. The program level will provide 28,700 guaranteed loans in FY 1990.

- (5) A decrease of \$550,000,000 for emergency disaster loans (\$600,000,000 available in 1989).

Need for Change. The drought of 1988 caused extensive production losses and property damages. The emergency loan requirement that farmers and ranchers must have had crop insurance for their 1988 crops was waived. However, if they receive benefits under the drought bill they must obtain crop insurance for their 1989 crops with few exceptions, if available at reasonable cost. The funding level of \$600 million in 1989 is expected to result in 10,700 loans, the most loans obligated since 1985. In 1990, the funding level of \$50 million is almost twice as much as the amount utilized in 1988 and should be sufficient to meet demand for these loans.

Nature of Change. The level of \$50,000,000 reflects the anticipated level of emergency loans which may be required.

- (6) A decrease of \$11,000,000 for direct and \$3,000,000 for guaranteed soil and water loans (\$14,000,000 available in 1989).

Need for Change. Elimination of the direct and guaranteed soil and water loan programs are proposed in redirection of Agency lending to the guaranteed operating lending function. Some activities funded under the soil and water loan program may be funded through the direct and guaranteed operating lending program.

Nature of Change. No program is proposed in FY 1990.

- (7) A decrease of \$2,000,000 for Indian tribe land acquisition loans (\$2,000,000 available in 1989).

Need for Change. These loans are limited to the acquisition of land within the defined boundaries of a tribe's reservation. Most of the available land has been acquired by the loans now outstanding.

Nature of Change. No program level is proposed in FY 1990.

- (8) A decrease of \$7,949,000 for watershed protection and flood prevention loans (\$7,949,000 available in 1989).

Need for Change. The watershed protection and flood prevention loan programs represent a minor portion of the Agency's total funding for programs funded through the Agricultural Credit Insurance Fund. In FY 1988, no loans were obligated.

Nature of Change. No program level is proposed in FY 1990.

- (9) A decrease of \$1,207,000 for resource conservation and development loans (\$1,207,000 available in 1989).

Need for Change. The resource conservation and development loan program represents a minor portion of the Agency's total funding for programs funded through the Agricultural Credit Insurance Fund. No loans were obligated in FY 1988.

Nature of Change. No program level is proposed in FY 1990.

- (10) A decrease of \$1,000,000 for state mediation grants (\$3,000,000 available in 1989).

Need for Change. The state mediation grant program represents a minor portion of the Agency's total funding for programs funded through the Agricultural Credit Insurance Fund.

Nature of Change. The level of \$2,000,000 reflects the anticipated level of state mediation grants which may be required.

(b) Reimbursement for Interest Subsidies and Losses

Appropriation Act, 1989.....	\$3,467,596,000
Budget Estimate, 1990.....	4,462,159,000
Increase in Appropriation.....	+ 994,563,000

PROJECT STATEMENT
(On basis of appropriation)
(In thousands of dollars)

Project	1988 Actual	1989 Actual	Increase or Decrease	1990 Estimated
Reimbursement for Interest				
Subsidies and Losses:				
Farm ownership loans.....	\$ 608,953	\$ 861,400	+\$188,315	\$1,049,715
Farm operating loans.....	654,084	799,744	+172,309	972,053
Recreation loans.....	11,607	9,145	-327	8,818
Emergency disaster loans.....	853,829	1,177,258	+458,249	1,635,507
Emergency livestock loans.....	2,114	2,479	+2,441	4,920
Economic emergency loans.....	334,296	534,884	+178,559	713,443
Soil and water conser- vation loans.....	23,066	29,655	+8,964	38,619
Irrigation and drainage loans.....	3,213	2,554	+148	2,702
Grazing loans.....	6,023	5,574	+266	5,840
Indian tribe land acquisition loans.....	8,830	9,033	+630	9,663
Watershed protection and flood prevention loans.....	9,006	8,695	+168	8,863
Resource conservation and development loans.....	3,139	1,993	+9	2,002
Inactive loan programs.....	33	182	-168	14
Total Losses.....	2,518,193	3,442,596	+1,009,563(1)	4,452,159
Appropriation for FY 1985 losses not reimbursed in FY 1987.....	+1,121,960	--	--	--
Amount of losses not appropriated in FY 1988.....	-35,000	--	--	--
Appropriation for FY 1986 losses not reimbursed in FY 1988.....	--	+35,000	-35,000(2)	--
Amount of losses not appropriated in FY 1989.....	--	-10,000	+10,000	--
Appropriation for FY 1987 losses not reimbursed in FY 1989.....	--	--	+10,000(3)	+10,000
Total Appropriation.....	3,605,153	3,467,596	+994,563	4,462,159

EXPLANATION OF PROGRAM

This appropriation is proposed to reimburse the Agricultural Credit Insurance Fund for funded interest subsidies and losses incurred in fiscal years 1987 and 1988.

JUSTIFICATION OF INCREASES AND DECREASE

- (1) An increase of \$1,009,563,000 for reimbursement for interest subsidies and losses incurred in 1988 (\$3,442,596,000 in interest subsidies and losses incurred in 1987).

Need for Change. The amount requested will reimburse the Agricultural Credit Insurance Fund for interest subsidies and losses incurred in FY 1988. Interest subsidies resulted primarily from interest costs incurred due to the difference between the interest rate paid by the borrower and the rate the Government is charged to borrow money. Until the passage of the Agricultural Credit Act of 1978, Public Law 95-334, August 4, 1978, many of the loans made from this Fund had been subject to interest rates in effect since 1954. Most of these rates were below the Government's cost-of-money. Limited resource borrowers may be charged interest at a rate lower than the cost-of-money interest rate. The increase results primarily from the Agency writing off uncollectible loans. As part of an effort to improve management of the Agency's portfolio, write-offs will be larger than normal for the next two years.

Nature of Change. The amount requested will reimburse the Agricultural Credit Insurance Fund for interest subsidies and losses incurred in FY 1988.

- (2) A decrease of \$35,000,000 for reimbursement of interest subsidies and losses incurred in FY 1986, not reimbursed in FY 1988.

Need for Change. The amount of losses not appropriated in FY 1988 for FY 1986 losses was \$35,000,000.

Nature of Change. The amount of interest subsidies and losses incurred in FY 1986 was reimbursed in FY 1989.

- (3) An increase of \$10,000,000 for reimbursement of interest subsidies and losses incurred in FY 1987, not reimbursed in FY 1989.

Need for Change. The amount of losses not appropriated in FY 1989 for FY 1987 losses was \$10,000,000.

Nature of Change. The amount requested will reimburse the Agricultural Credit Insurance Fund for interest subsidies and losses incurred in FY 1987 that were not reimbursed in FY 1989.

The following schedule presents an analysis of change in the cash position of the Fund.

Change in Cash Position of the Fund
(In thousands of dollars)

	<u>1988</u> <u>Actual</u>	<u>1989</u> <u>Estimated</u>	<u>1990</u> <u>Estimated</u>
Cash balance, beginning of year.....	<u>\$1,079,770</u>	<u>\$2,709,064</u>	<u>\$ 1,611,422</u>
Outlays.....	<u>-2,617,671</u>	<u>-3,435,238</u>	<u>-1,958,425</u>
Funds for financing:			
Appropriation for reimbursement			
of interest subsidies and losses.....	3,605,153	3,467,596	4,462,159
Principal transferred on participation			
certificates.....	-24,188	--	--
Treasury borrowings.....	9,925,000	11,400,000	16,000,000
Repayment of borrowings from Treasury..	-8,874,000	-8,570,000	-14,636,500
FFB borrowings.....	--	--	--
Repayment of borrowings from FFB.....	<u>-385,000</u>	<u>-3,960,000</u>	<u>-3,322,000</u>
Net financing	<u>4,246,965</u>	<u>2,337,596</u>	<u>2,503,659</u>
Cash balance, end of year.....	<u>2,709,064</u>	<u>1,611,422</u>	<u>2,156,656</u>

An analysis by loan program of the accrued operating deficit, exclusive of unfunded losses, is shown in the following tables. In accordance with the accounting principles and standards followed by FmHA, this schedule is prepared on an accrual basis.

AGRICULTURAL CREDIT INSURANCE FUND

Operating Income and Expense Statement
(in Thousands of Dollars)

	Income		Total	Expense			Net Total
	Interest	Other		Write- offs	Other	Total	
1988 Actual							
Farm ownership loans	\$ 469,134	\$ 9,285	\$ 478,419	\$1,201,012	\$ 219,330	\$1,528,134	-\$1,049,715
Farm operating loans	389,459	9,170	398,629	947,649	349,309	1,370,682	-972,053
Recreation loans	3,280	27	3,307	9,948	1,676	501	-8,818
Emergency disaster loans	690,779	7,599	698,378	1,379,677	808,005	2,333,885	-1,635,507
Emergency livestock loans	363	1	364	55	--	5,229	-4,920
Economic emergency loans	320,463	4,083	324,546	558,146	370,532	1,037,989	-713,443
Soil and water conservation loans	20,913	234	21,147	43,097	12,947	59,766	-38,619
Irrigation and drainage loans	808	2	810	2,737	311	464	-2,702
Grazing loans	2,687	10	2,697	8,055	--	482	-5,840
Indian tribe land acquisition loans	4,886	15	4,901	14,065	--	499	-9,663
Watershed protection and flood prevention loans	3,130	13	3,143	11,514	--	492	-8,863
Resource conservation and development loans	840	3	843	2,347	33	465	-2,002
Inactive loan programs	11	--	11	25	--	25	-14
TOTAL	1,906,753	30,442	1,937,195	4,178,327	1,762,143	6,389,354	-4,452,159

AGRICULTURAL CREDIT INSURANCE FUND

Operating Income and Expense Statement
(In Thousands of Dollars)

	Income		Expense			Net	
	Interest	Other	Total	Interest	Write-offs	Other	Total
1989 Estimated							
Farm ownership loans	\$ 431,997	\$11,782	\$ 443,779	\$1,129,650	\$ 449,055	\$ 132,412	\$1,711,117
Farm operating loans	358,768	11,635	370,403	891,457	714,881	90,554	1,696,892
Recreation loans	2,985	36	3,021	9,433	3,607	607	13,647
Emergency disaster loans	636,230	9,642	645,872	1,297,880	1,653,748	179,620	3,131,248
Emergency livestock loans	353	1	354	--	--	6,397	6,397
Economic emergency loans	295,198	5,184	300,382	524,733	758,524	134,287	1,417,544
Soil and water conservation loans	19,316	297	19,613	40,485	26,330	4,688	71,503
Irrigation and drainage loans	702	4	706	2,753	720	551	4,024
Grazing loans	2,458	13	2,471	7,468	--	606	8,074
Indian tribe land acquisition loans	4,566	17	4,583	13,364	--	610	13,974
Watershed protection and flood prevention loans	2,810	10	2,820	11,006	--	603	11,609
Resource conservation and development loans	702	4	706	2,358	--	548	2,906
State mediation grants	--	--	--	--	--	3,000	3,000
TOTAL	1,756,085	38,625	1,794,710	3,930,587	3,606,865	554,483	8,091,935
							-6,297,225

AGRICULTURAL CREDIT INSURANCE FUND

Operating Income and Expense Statement
(In Thousands of Dollars)

	Income		Expense			Net	
	Interest	Other	Total	Interest	Write-offs	Other	Total
1990 Estimated							
Farm ownership loans	\$ 407,573	\$15,900	\$ 423,473	\$ 975,892	\$ 449,255	\$163,451	\$1,588,598
Farm operating loans	338,484	15,701	354,185	770,119	715,199	109,781	1,595,099
Recreation loans	2,817	47	2,864	8,149	3,608	749	12,506
Emergency disaster loans	600,259	13,012	613,271	1,121,177	1,654,428	221,724	2,997,329
Emergency livestock loans	331	2	333	50	--	7,897	7,947
Economic emergency loans	278,508	6,995	285,503	453,311	758,862	165,765	1,377,938
Soil and water conservation loans	18,225	402	18,627	34,974	26,342	5,786	67,102
Irrigation and drainage loans	661	4	665	2,376	721	686	3,783
Grazing loans	2,320	15	2,335	5,452	--	740	7,192
Indian tribe land acquisition loans	4,308	26	4,334	11,545	--	750	12,295
Watershed protection and flood prevention loans	2,651	15	2,666	9,507	--	743	10,250
Resource conservation and development loans	563	6	569	2,037	60	686	2,783
State mediation grants	--	--	--	--	--	2,000	2,000
TOTAL	1,656,800	52,125	1,708,925	3,395,589	3,608,475	680,758	7,684,822
							-5,975,897

The following schedules present an analysis of outlays by loan program for fiscal years 1988, 1989 and 1990.

Agricultural Credit Insurance Fund

Analysis of Outlays by Loan Program
Fiscal Year 1988 Actual
(In Thousands of Dollars)

	Operating: Loans	Farm Ownership: Loans	Soil & Water: Loans	Indiv.: Loans	Graz-:Recrea-: ing : tion : Loans : Loans	Irrig.:Resource: & :Cons. & : :Drain.: Dev. : :Loans : Loans	Flood & :Water : :Loans	Indian: Land : :Loans	Emergency: Disaster : :Loans	Live-: Stock : :Loans	Emer-: gency: Live-: Stock : :Loans	Economic :Inac-: Emergency: tive : :Loans :Loans	Total
Funds for program operations:													
Funds expended:													
Loans made by the fund	\$ 917,602:	\$ 96,636:	\$ 4,126:	---	---	---	---	\$ 1,703:	\$ 1,355:	\$ 27,344:	---	---	\$1,048,766
Purchase of loans and certificates of beneficial ownership:	15,149:	34,205:	1,079:	\$ 869:	\$ 905:	\$ 8:	\$ 305:	1,576:	459:	29,442:	---	\$ 12:	84,009
Collections disbursed to investors	-57:	8,033:	17:	558:	860:	50:	114:	339:	50:	---	---	---	10,014
Interest expense	954,985:	1,210,549:	42,933:	8,224:	10,110:	2,585:	2,407:	11,897:	14,346:	1,405,032:	---	567,711:	\$26: 4,230,805
Loss settlement, guaranteed loans	48,691:	13,073:	---	---	---	---	---	---	---	91:\$2,050:	18,152:	---	82,057
Interest buy-down	5,112:	1,704:	---	---	---	---	---	---	---	---	---	---	6,816
Administrative expense	6,114:	3,950:	810:	---	689:	---	98:	454:	---	49,262:	2,943:	11,351:	75,671
Other	12,412:	40,091:	1,324:	44:	89:	9:	-11:	6:	41:	36,949:	34:	13,447:	104,447
Total funds expended	1,960,008:	1,408,241:	50,239:	9,695:	12,653:	2,652:	2,913:	16,025:	16,251:	1,548,120:	5,027:	610,673:	5,642,585
Funds received:													
Repayments on loans	1,214,528:	256,391:	12,678:	1,643:	3,440:	413:	1,277:	2,466:	995:	341,616:	---	102,592:	24: 1,938,063
Payment of interest on loans ..	230,732:	317,409:	11,977:	2,049:	3,360:	425:	715:	2,965:	4,453:	223,580:	---	138,310:	5: 936,030
Collections received for investors	---	6,679:	12:	588:	862:	34:	1:	81:	18:	---	---	---	8,195
Insurance premiums and guarantee fees	10,921:	4,461:	---	---	---	---	---	---	---	---	---	---	15,382
Other	-3,697:	100,169:	556:	-71:	-61:	-29:	-33:	-166:	-204:	18,728:	9:	12,043:	127,244
Total funds received	1,452,534:	585,109:	25,223:	4,129:	7,601:	843:	1,960:	5,346:	5,262:	583,924:	9:	252,945:	29: 3,024,914
OUTLAYS	507,474:	723,132:	25,066:	5,566:	5,052:	1,809:	953:	10,679:	10,989:	964,196:	5,018:	357,728:	9: 2,617,671

Agricultural Credit Insurance Fund

Analysis of Outlays by Loan Program
Fiscal Year 1989 Estimated
(In Thousands of Dollars)

	Operating : Loans	Farm : Ownership : Loans	Soil & : Water : Loans	Indiv. : Loans	Grazing : Loans	Recreation : Loans	Irrig. & : Cons. & : Loans	Resource : Dev. : Loans	Flood & : Water : Loans	Indian : Land : Loans	Emergency : Disaster : Loans	Live- : Stock : Loans	Economic : Emergency : Loans	Inac- : tive : Loans	Total
Funds for program operations:															
Funds expended:															
Loans made by the fund	\$ 902,195:	\$ 108,657:	\$10,721:	--:	--:	--:	--:	--:	\$ 9,732:	\$ 2,781:	\$ 576,325:	--:	--:	--:	\$1,610,411
Purchase of loans and certifi- cates of beneficial ownership:	47,605:	107,542:	3,380:	\$ 2,720:	\$ 2,852:	\$ 26:	\$ 951:	4,964:	1,452:	92,545:	--:	--:	--:	--:	264,037
Collections disbursed to investors	--:	7,169:	15:	501:	773:	45:	103:	349:	45:	--:	--:	--:	--:	--:	9,000
Interest expense	908,160:	1,169,474:	41,411:	7,790:	9,840:	2,460:	2,050:	11,480:	12,710:	1,359,582:	--:	--:	\$549,409:	--:	4,074,366
Loss settlement, guaranteed loans	61,714:	16,567:	--:	--:	--:	--:	--:	--:	--:	114:\$2,600:	23,005:	--:	--:	--:	104,000
Interest buy-down	19,276:	6,425:	--:	--:	--:	--:	--:	--:	--:	--:	--:	--:	--:	--:	25,701
Administrative expense	8,805:	5,689:	1,166:	--:	992:	--:	142:	654:	--:	70,944:	4,239:	16,347:	--:	--:	138,978
Other	11,438:	37,113:	1,238:	39:	68:	11:	--:	7:	39:	34,212:	30:	12,455:	--:	--:	96,700
Total funds expended	1,959,243:	1,458,636:	57,931:	11,050:	14,525:	2,542:	3,246:	27,186:	17,027:	2,133,722:	6,869:	601,216:	--:	--:	6,293,193
Funds received:															
Repayments on loans	1,128,060:	238,140:	11,700:	1,440:	3,240:	360:	1,260:	2,340:	900:	317,340:	--:	--:	95,220:	--:	1,800,000
Payment of interest on loans ..	221,940:	305,190:	11,250:	1,980:	3,240:	450:	720:	2,880:	4,320:	215,010:	--:	--:	133,020:	--:	900,000
Collections received for investors	--:	5,705:	11:	434:	736:	29:	1:	69:	15:	--:	--:	--:	--:	--:	7,000
Insurance premiums and guarantee fees	21,250:	8,680:	--:	--:	--:	--:	--:	--:	--:	--:	--:	--:	--:	--:	29,930
Other	--:	91,749:	533:	--:	--:	--:	--:	--:	--:	--:	17,286:	8:	11,449:	--:	121,025
Total funds received	1,371,250:	649,464:	23,494:	3,854:	7,216:	839:	1,981:	5,289:	5,235:	549,636:	8:	239,639:	--:	--:	2,857,955
OUTLAYS	587,993:	809,172:	34,437:	7,196:	7,309:	1,703:	1,265:	21,897:	11,792:	1,584,086:	6,861:	361,527:	--:	--:	3,435,233

Agricultural Credit Insurance Fund

Analysis of Outlays by Loan Program
Fiscal Year 1990 Estimated
(In Thousands of Dollars)

	Operating : Loans	Farm : Ownership : Loans	Soil & : Water : Loans	Grazing : Recreation : Loans	Irrigation : Drainage : Loans	Conservation : & Development : Loans	Flood : & Water : Loans	Indian : Land : Loans	Emergency : Disaster : Loans	Live-Stock : Emergency : Loans	Inactive : Emergency : Loans	Total
Funds for program operations:												
Funds expended:												
Loans made by the fund	\$ 615,000:	\$ 54,500:	\$ 1,100:	---	---	---	\$ 7,622:	\$ 412:	\$ 77,500:	---	---	\$ 756,134
Purchase of loans and certificates of beneficial ownership:	3,166:	7,152:	225:	\$ 131:	\$ 190:	\$ 2:	\$ 63:	330:	97:	\$ 6,152:	2:	17,560
Collections disbursed to investors	---	6,372:	14:	446:	687:	40:	91:	310:	40:	---	---	8,000
Interest expense	767,610:	1,005,488:	35,791:	6,733:	8,505:	2,127:	2,126:	9,922:	12,049:	1,175,102:	---	3,500,313
Loss settlement, guaranteed loans	91,977:	24,692:	---	---	---	---	---	---	170:	\$3,875:	34,286:	155,000
Interest buy-down	32,565:	10,855:	---	---	---	---	---	---	---	---	---	43,420
Administrative expense	8,816:	5,696:	1,168:	---	993:	---	142:	655:	---	71,032:	4,244:	109,113
Other	10,629:	34,340:	1,154:	35:	63:	6:	---	5:	36:	31,656:	27:	89,475
Total funds expended	1,529,763:	1,149,095:	39,452:	7,395:	10,438:	2,175:	2,422:	18,844:	12,634:	1,361,612:	8,146:	4,679,015
Funds received:												
Repayments on loans	1,052,856:	222,264:	10,920:	1,344:	3,024:	335:	1,176:	2,184:	840:	296,184:	---	1,680,000
Payment of interest on loans ..	203,445:	279,753:	10,312:	1,815:	2,970:	412:	660:	2,640:	3,960:	197,093:	---	825,000
Collections received for investors	---	4,890:	9:	372:	631:	25:	1:	59:	13:	---	---	6,000
Insurance premiums and guarantee fees	19,192:	7,838:	---	---	---	---	---	---	---	---	---	27,030
Other	---	138,399:	803:	---	---	---	---	---	---	26,070:	18:	182,560
Total funds received	1,275,493:	653,149:	22,044:	3,531:	6,625:	773:	1,837:	4,883:	4,813:	519,347:	18:	2,720,590
OUTLAYS	254,270:	495,946:	17,408:	3,864:	3,813:	1,402:	585:	13,961:	7,821:	842,265:	8,128:	1,958,425

Agricultural Credit Insurance Fund Loan Subsidies
Proposed for Later Transmittal, Proposed Legislation - Credit Reform

Budget Estimate, Current Law, 1990.....	--
Change due to proposed legislation.....	\$312,180,000
Net Request, President's 1990 Budget Request.....	+312,180,000

SUMMARY OF INCREASE - PROPOSED LEGISLATION
(On basis of loan levels)

	:		:	FY 1990	:	
Item of Change	:	Current	:	Program	:	President's
	:	Law	:	Changes	:	Request
Loan Subsidies.....	:		:		:	
	:	--	:	+\$312,180,000	:	\$312,180,000

EXPLANATION OF PROPOSED LEGISLATION

Under the Administration's credit reform proposal the farm loan programs will continue to be operated by FmHA, although the loans will be disbursed from a new general fund account in Treasury. The additional \$312.18 million requested under this proposal is required to cover the interest subsidy cost. The subsidy for direct loans that have not been sold and guaranteed loans that have not been reinsured is the estimated present value of the difference in cost to the borrower between the Federal direct loan or guaranteed loan and alternative private financing available to the same or similar borrower for the same or a similar purpose.

Fees charged to the borrower that reduce the Federal subsidy will be taken into account in estimating the subsidy.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

Agricultural Credit Insurance Fund

	Farm Ownership Loan Program		
	1988 Amount	1989 Amount	1990 Amount
Alabama.....	5,702,930	12,212,000	3,744,600
Alaska.....	--	724,000	298,200
Arizona.....	938,000	4,775,000	1,513,500
Arkansas.....	16,725,279	15,513,000	4,734,900
California.....	10,428,294	30,135,000	9,121,500
Colorado.....	6,581,040	11,474,000	3,523,200
Connecticut.....	806,000	2,542,000	843,600
Delaware.....	2,169,800	2,663,000	879,900
Florida.....	1,428,280	11,557,000	3,548,100
Georgia.....	5,531,210	14,153,000	4,326,900
Hawaii.....	1,198,000	3,884,000	1,246,200
Idaho.....	5,478,470	10,099,000	3,110,700
Illinois.....	30,879,102	46,966,000	14,170,800
Indiana.....	7,390,950	27,599,000	8,360,700
Iowa.....	41,462,350	57,445,000	17,314,500
Kansas.....	23,480,582	28,857,000	8,738,100
Kentucky.....	14,751,270	27,933,000	8,460,900
Louisiana.....	9,552,608	13,089,000	4,007,700
Maine.....	1,598,800	5,613,000	1,764,900
Maryland.....	2,713,700	6,795,000	2,119,500
Massachusetts.....	1,228,500	3,023,000	987,900
Michigan.....	16,780,565	17,081,000	5,205,300
Minnesota.....	22,769,750	36,208,000	10,943,400
Mississippi.....	9,879,540	12,266,000	3,767,800
Missouri.....	10,690,850	32,539,000	9,842,700
Montana.....	5,778,110	13,334,000	4,081,200
Nebraska.....	21,749,884	30,396,000	9,199,800
Nevada.....	358,000	3,005,000	982,500
New Hampshire.....	909,700	3,970,000	1,272,000
New Jersey.....	654,000	4,103,000	1,311,900
New Mexico.....	2,521,850	5,677,000	1,784,100
New York.....	6,363,680	14,504,000	4,432,200
North Carolina.....	10,744,847	22,310,000	6,774,000
North Dakota.....	23,474,004	18,012,000	5,484,600
Ohio.....	12,173,584	27,935,000	8,461,500
Oklahoma.....	24,887,570	21,312,000	6,474,600
Oregon.....	4,856,920	9,637,000	2,972,100
Pennsylvania.....	11,920,070	18,257,000	5,558,100
Rhode Island.....	358,000	1,658,000	578,400
South Carolina.....	3,593,870	9,915,000	3,055,500
South Dakota.....	5,522,450	17,025,000	5,188,500
Tennessee.....	6,015,620	21,126,000	6,418,800
Texas.....	9,048,130	53,354,000	16,087,200
Utah.....	4,220,040	7,435,000	2,311,500
Vermont.....	3,394,510	4,265,000	1,360,500
Virginia.....	4,358,510	15,675,000	4,783,500
Washington.....	8,251,090	11,557,000	3,548,100
West Virginia.....	4,488,600	6,615,000	2,065,500
Wisconsin.....	46,517,577	29,460,000	8,919,000
Wyoming.....	1,935,000	7,988,000	2,477,400
Puerto Rico.....	2,574,890	3,882,000	1,245,600
Trust Territories..	229,000	724,000	298,200
Virgin Islands.....	--	724,000	298,200
Total, Available or Estimate.....	477,065,375	819,000,000	250,000,000

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

Agricultural Credit Insurance Fund

Soil and Water Loan Program			
	1988 Amount	1989 Amount	1990 Amount
Alabama.....	4,000	50,000	--
Alaska.....	--	50,000	--
Arizona.....	--	50,000	--
Arkansas.....	910,450	2,588,000	--
California.....	205,290	591,000	--
Colorado.....	24,000	50,000	--
Connecticut.....	23,250	50,000	--
Delaware.....	--	50,000	--
Florida.....	18,000	50,000	--
Georgia.....	76,500	220,000	--
Hawaii.....	--	50,000	--
Idaho.....	159,500	459,000	--
Illinois.....	15,500	50,000	--
Indiana.....	--	50,000	--
Iowa.....	74,150	214,000	--
Kansas.....	89,000	256,000	--
Kentucky.....	124,620	359,000	--
Louisiana.....	193,680	558,000	--
Maine.....	60,100	173,000	--
Maryland.....	--	50,000	--
Massachusetts.....	94,000	271,000	--
Michigan.....	246,620	710,000	--
Minnesota.....	76,700	221,000	--
Mississippi.....	80,870	233,000	--
Missouri.....	362,300	1,043,000	--
Montana.....	69,270	199,000	--
Nebraska.....	57,000	164,000	--
Nevada.....	130,500	376,000	--
New Hampshire.....	12,400	50,000	--
New Jersey.....	70,100	202,000	--
New Mexico.....	69,300	200,000	--
New York.....	151,200	435,000	--
North Carolina.....	77,010	222,000	--
North Dakota.....	44,600	50,000	--
Ohio.....	26,000	50,000	--
Oklahoma.....	280,840	809,000	--
Oregon.....	74,000	213,000	--
Pennsylvania.....	309,930	893,000	--
Rhode Island.....	--	50,000	--
South Carolina.....	14,020	50,000	--
South Dakota.....	--	50,000	--
Tennessee.....	42,000	50,000	--
Texas.....	158,370	456,000	--
Utah.....	49,550	50,000	--
Vermont.....	166,980	481,000	--
Virginia.....	1,800	50,000	--
Washington.....	9,200	50,000	--
West Virginia.....	12,860	50,000	--
Wisconsin.....	53,350	154,000	--
Wyoming.....	--	50,000	--
Puerto Rico.....	--	50,000	--
Trust Territories..	--	50,000	--
Virgin Islands.....	--	50,000	--
Total, Available or Estimate.....	4,718,810	14,000,000	--

Farmers Home Administration
 GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
 1988 and Estimated 1989 and 1990

Agricultural Credit Insurance Fund

Indian Land Acquisition Loan Program

	1988 Amount	1989 Amount	1990 Amount
Arizona.....	--	250,000	--
Idaho.....	461,330	450,000	--
Montana.....	--	250,000	--
North Dakota.....	--	250,000	--
South Dakota.....	--	550,000	--
Washington.....	--	250,000	--
Total, Available or Estimate.....	461,330	2,000,000	--

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

Agricultural Credit Insurance Fund

	Farm Operating Loan Program		
	1988 Amount	1989 Amount	1990 Amount
Alabama.....	24,705,120	48,820,000	48,820,000
Alaska.....	15,400	646,000	646,000
Arizona.....	3,335,210	12,849,000	12,849,000
Arkansas.....	67,319,668	72,767,000	72,767,000
California.....	54,470,077	98,849,000	98,849,000
Colorado.....	18,647,860	39,996,000	39,996,000
Connecticut.....	900,000	7,637,000	7,637,000
Delaware.....	1,707,870	8,179,000	8,179,000
Florida.....	8,362,730	34,900,000	34,900,000
Georgia.....	61,289,559	63,914,000	63,914,000
Hawaii.....	671,880	9,861,000	9,861,000
Idaho.....	43,226,800	47,648,000	47,648,000
Illinois.....	67,631,994	159,322,000	150,322,000
Indiana.....	25,069,789	96,842,000	96,842,000
Iowa.....	76,544,260	209,483,000	209,483,000
Kansas.....	52,329,409	103,904,000	103,904,000
Kentucky.....	31,419,750	97,505,000	97,505,000
Louisiana.....	170,352,521	196,430,000	176,430,000
Maine.....	9,349,690	22,275,000	22,275,000
Maryland.....	6,165,820	20,661,000	20,661,000
Massachusetts.....	2,411,100	8,664,000	8,664,000
Michigan.....	56,109,657	70,584,000	70,584,000
Minnesota.....	76,328,619	162,313,000	162,313,000
Mississippi.....	101,822,720	182,690,000	182,690,000
Missouri.....	35,408,798	114,682,000	114,682,000
Montana.....	24,754,309	47,810,000	47,810,000
Nebraska.....	75,637,228	133,359,000	133,359,000
Nevada.....	1,396,360	9,478,000	9,478,000
New Hampshire.....	1,029,840	11,911,000	11,911,000
New Jersey.....	1,893,980	11,260,000	11,260,000
New Mexico.....	10,871,570	21,483,000	21,483,000
New York.....	19,165,055	56,498,000	56,498,000
North Carolina.....	38,576,530	82,389,000	82,389,000
North Dakota.....	89,848,850	207,521,000	159,412,000
Ohio.....	39,583,570	104,970,000	104,970,000
Oklahoma.....	80,965,895	103,364,000	103,364,000
Oregon.....	19,186,730	39,502,000	39,502,000
Pennsylvania.....	20,739,311	64,395,000	64,395,000
Rhode Island.....	442,700	4,961,000	4,961,000
South Carolina.....	28,507,960	39,335,000	39,335,000
South Dakota.....	19,183,212	60,943,000	60,943,000
Tennessee.....	41,634,330	89,555,000	89,555,000
Texas.....	131,679,913	219,780,000	200,780,000
Utah.....	5,980,320	23,453,000	23,453,000
Vermont.....	6,505,930	15,441,000	15,441,000
Virginia.....	13,024,950	50,030,000	50,030,000
Washington.....	30,903,783	45,307,000	45,307,000
West Virginia.....	2,815,310	20,324,000	20,324,000
Wisconsin.....	74,573,128	108,206,000	106,206,000
Wyoming.....	10,975,115	25,897,000	25,897,000
Puerto Rico.....	6,401,570	8,223,000	8,223,000
Trust Territories..	185,300	647,000	647,000
Virgin Islands.....	20,000	646,000	646,000
Total, Available or Estimate.....	1,792,079,050	3,498,109,000	3,400,000,000

Farmers Home Administration
1983 and Estimated 1989 and 1990

Agricultural Credit Insurance Fund

Emergency Loan Program			
	1988 Amount	1989 Amount	1990 Amount
Alabama.....	451,720	--	--
Alaska.....	--	--	--
Arizona.....	--	--	--
Arkansas.....	3,094,093	--	--
California.....	1,016,530	--	--
Colorado.....	196,000	--	--
Connecticut.....	13,470	--	--
Delaware.....	544,290	--	--
Florida.....	99,360	--	--
Georgia.....	327,120	--	--
Hawaii.....	319,060	--	--
Idaho.....	1,047,720	--	--
Illinois.....	--	--	--
Indiana.....	--	--	--
Iowa.....	121,820	--	--
Kansas.....	81,100	--	--
Kentucky.....	530,950	--	--
Louisiana.....	1,294,890	--	--
Maine.....	32,600	--	--
Maryland.....	81,270	--	--
Massachusetts.....	175,950	--	--
Michigan.....	3,755,400	--	--
Minnesota.....	37,700	--	--
Mississippi.....	2,830,280	--	--
Missouri.....	135,890	--	--
Montana.....	1,187,470	--	--
Nebraska.....	179,740	--	--
Nevada.....	--	--	--
New Hampshire.....	--	--	--
New Jersey.....	478,370	--	--
New Mexico.....	22,300	--	--
New York.....	2,015,670	--	--
North Carolina.....	659,960	--	--
North Dakota.....	320,480	--	--
Ohio.....	100,730	--	--
Oklahoma.....	681,530	--	--
Oregon.....	--	--	--
Pennsylvania.....	23,500	--	--
Rhode Island.....	116,520	--	--
South Carolina.....	44,980	--	--
South Dakota.....	93,000	--	--
Tennessee.....	130,900	--	--
Texas.....	4,242,140	--	--
Utah.....	126,400	--	--
Vermont.....	--	--	--
Virginia.....	1,590,800	--	--
Washington.....	--	--	--
West Virginia.....	552,690	--	--
Wisconsin.....	276,390	--	--
Wyoming.....	20,000	--	--
Puerto Rico.....	574,590	--	--
Trust Territories..	225,200	--	--
Virgin Islands.....	--	--	--
Total, Available or Estimate.....	29,890,573	600,000,000 1/	50,000,000 1/

1/ Cannot be distributed by geographic area in advance.

Farmers Home Administration
 GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
 1988 and Estimated 1989 and 1990

Agricultural Credit Insurance Fund

Insured Watershed and Flood Prevention Loan Program

	1988 Amount	1989 Amount	1990 Amount
Arkansas.....	--	500,000	--
California.....	--	500,000	--
Georgia.....	--	500,000	--
Hawaii.....	--	500,000	--
Indiana.....	--	2,949,000	--
Iowa.....	--	500,000	--
Massachusetts.....	--	500,000	--
Mississippi.....	--	500,000	--
Oklahoma.....	--	500,000	--
Oregon.....	--	500,000	--
South Carolina.....	--	500,000	--
Total, Available or Estimate.....	--	7,949,000	--

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

Agricultural Credit Insurance Fund

Resource Conservation and Development Loan Program

	1988 Amount	1989 Amount	1990 Amount
Arkansas.....	--	111,000	--
Idaho.....	--	80,000	--
Maine.....	--	87,000	--
Missouri.....	--	71,000	--
Montana.....	--	86,000	--
New Mexico.....	--	157,000	--
North Carolina.....	--	121,000	--
Oregon.....	--	114,000	--
South Dakota.....	--	127,000	--
Tennessee.....	--	66,000	--
Utah.....	--	50,000	--
Wyoming.....	--	137,000	--
Total, Available or Estimate.....	--	1,207,000	--

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

Agricultural Credit Insurance Fund

Interest Rate Buydown Program

	1988 Amount	1989 Amount	1990 Amount
Alabama.....	--	200,000	200,000
Alaska.....	--	200,000	200,000
Arizona.....	--	200,000	200,000
Arkansas.....	38,112	201,000	201,000
California.....	237,756	230,000	230,000
Colorado.....	265,622	368,000	368,000
Connecticut.....	19,260	200,000	200,000
Delaware.....	--	200,000	200,000
Florida.....	--	200,000	200,000
Georgia.....	4,000	200,000	200,000
Hawaii.....	--	200,000	200,000
Idaho.....	49,935	306,000	306,000
Illinois.....	1,170,692	7,434,000	7,434,000
Indiana.....	19,655	627,000	627,000
Iowa.....	1,573,160	18,434,000	18,434,000
Kansas.....	568,037	4,314,000	4,314,000
Kentucky.....	224,727	385,000	385,000
Louisiana.....	23,112	200,000	200,000
Maine.....	35,700	200,000	200,000
Maryland.....	--	200,000	200,000
Massachusetts.....	--	200,000	200,000
Michigan.....	1,855,091	7,582,000	7,582,000
Minnesota.....	1,550,496	12,541,000	12,541,000
Mississippi.....	14,640	272,000	272,000
Missouri.....	489,125	5,024,000	5,024,000
Montana.....	257,505	1,985,000	1,985,000
Nebraska.....	449,054	2,490,000	2,490,000
Nevada.....	--	200,000	200,000
New Hampshire.....	--	200,000	200,000
New Jersey.....	4,000	200,000	200,000
New Mexico.....	24,000	298,000	298,000
New York.....	51,522	533,000	533,000
North Carolina.....	13,755	200,000	200,000
North Dakota.....	2,382,482	10,539,000	10,539,000
Ohio.....	108,118	468,000	468,000
Oklahoma.....	317,848	830,000	830,000
Oregon.....	15,109	200,000	200,000
Pennsylvania.....	187,068	353,000	353,000
Rhode Island.....	--	200,000	200,000
South Carolina.....	--	200,000	200,000
South Dakota.....	146,321	1,762,000	1,762,000
Tennessee.....	32,151	200,000	200,000
Texas.....	30,906	216,000	216,000
Utah.....	80,815	200,000	200,000
Vermont.....	47,700	200,000	200,000
Virginia.....	--	200,000	200,000
Washington.....	22,710	200,000	200,000
West Virginia.....	8,100	200,000	200,000
Wisconsin.....	4,197,203	16,171,000	16,171,000
Wyoming.....	--	537,000	537,000
Puerto Rico.....	--	200,000	200,000
Trust Territories..	--	200,000	200,000
Virgin Islands.....	--	200,000	200,000
Total, Available or Estimate.....	16,515,487	100,000,000	100,000,000

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

State Mediation Program

	1988 Amount	1989 Amount	1990 Amount
Alabama.....	--	110,200	77,000
Indiana.....	--	106,200	60,000
Iowa.....	--	305,000	213,500
Kansas.....	--	431,200	268,100
Minnesota.....	--	500,000	350,000
Mississippi.....	--	75,000	52,500
Montana.....	--	75,000	52,500
Nebraska.....	--	168,100	117,000
North Dakota.....	--	250,000	175,000
South Dakota.....	--	269,900	188,000
Oklahoma.....	--	97,000	67,900
Texas.....	--	500,000	300,000
Wisconsin.....	--	87,400	61,000
Wyoming.....	--	25,000	17,500
 Total, Available or Estimate	 --	 3,000,000	 2,000,000

FARMERS HOME ADMINISTRATION

The 1990 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Development Insurance Fund:

For direct and guaranteed loans as authorized by 7 U.S.C. 1928 and 86 Stat. 661-664, to be available from funds in the Rural Development Insurance Fund, as follows: [insured] water and sewer facility loans, [\$330,380,000]

- 1 \$250,000,000, of which \$50,000,000 shall be for guaranteed loans;
- 2 guaranteed industrial development loans, \$95,700,000; and [insured]
guaranteed community facility loans, [\$95,700,000] \$50,000,000.

For an additional amount to reimburse the Rural Development Insurance Fund for interest subsidies and losses sustained in prior years, but not previously reimbursed, in carrying out the provisions of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1988(a)),
[\$1,607,047,000] \$1,474,499,000.

The first change provides a breakdown between insured and guaranteed water and sewer facility loan authorities.

The second change provides a shift from insured community facility to guaranteed loan authority.

Rural Development Insurance Fund

(a) On Basis of Loan Levels

Program Loan Levels, 1989.....	\$721,780,000
Program Loan Levels, 1990.....	395,700,000
Decrease in Loan Levels.....	<u>-326,080,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of loan levels)

Item of Change	1989 Authorized	Program Changes	1990 Estimated
Direct water and waste disposal loans.....	\$330,380,000	-\$130,380,000	\$200,000,000
Guaranteed water and waste disposal loans.....	--	+50,000,000	50,000,000
Direct community facility loans..	95,700,000	-95,700,000	--
Guaranteed community facility loans.....	--	+50,000,000	50,000,000
Guaranteed business and industrial loans.....	295,700,000	-200,000,000	95,700,000
TOTAL.....	721,780,000	-326,080,000	395,700,000

PROJECT STATEMENT
(On basis of loan levels)
(In thousands of dollars)

Project	1988 Actual	1989 Estimated	Increase or Decrease	1990 Estimated
Rural Development Assistance:				
Direct water and waste disposal loans:				
Water supply.....	\$169,094	\$169,000	-\$ 66,700	\$102,300
Waste disposal.....	151,608	152,000	-60,000	92,000
Combination water supply and waste disposal.....	9,678	9,380	-3,680	5,700
Subtotal, water and waste disposal loans.....	330,380	330,380	-130,380(1)	200,000
Guaranteed water and waste disposal loans.....	--	--	+50,000(2)	50,000
Direct community facility loans..	95,700	95,700	-95,700(1)	--
Guaranteed community facility loans.....	--	--	+50,000(2)	50,000
Guaranteed business and industrial loans.....	95,415	295,700	-200,000(3)	95,700
TOTAL.....	521,495	721,780	-326,080	395,700

Staff-years are reflected in the Salaries and Expense Project Statement.

EXPLANATION OF PROGRAM

The Rural Development Act of 1972 authorized the establishment of the Rural Development Insurance Fund under section 309A of the Consolidated Farm and Rural Development Act. This Act provided for transfer to the Rural Development Insurance Fund the assets and liabilities of the Agricultural Credit Insurance Fund applicable to loans for water systems and waste disposal facilities. This fund is used to insure or guarantee loans for water systems and waste disposal facilities, community facilities and industrial development in rural areas.

1. Water and waste disposal loans. Loans are made to public bodies, organizations operated on a not for profit basis and Indian tribes on Federal and State Reservations and other Federally recognized Indian tribes, for the development of storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas. A rural area includes any area in any city or town which has a population of not more than 10,000 inhabitants.

Applicants must be unable to obtain sufficient credit elsewhere to finance actual needs at reasonable rates and terms. FmHA loans are repayable in not more than 40 years or the useful life of the facility, whichever is less. These loans bear interest not in excess of the current market yield for comparable term municipal obligations. Those loans, made in areas where the median household income falls below the higher of 80 percent of the statewide nonmetropolitan median household income or the poverty level and the project is needed to meet health or sanitary standards, bear interest not in excess of 5 percent, the poverty line interest rate. The intermediate interest rate, which is the poverty line rate plus one-half the difference between the poverty line rate and the market rate, with a ceiling of 7 percent, applies when the loan does not meet the requirements of the poverty line rate and the median household income of the service area is not more than 100 percent of the nonmetropolitan median household income of the State.

2. Community facility loans. Loans are made to public bodies, organizations operated on a not for profit basis and Indian tribes on Federal and State Reservations and other Federally recognized Indian tribes, to construct, enlarge, extend, or otherwise improve community facilities which provide essential services to rural residents. Such facilities include those providing or supporting overall community development such as fire and rescue services, health care, hydroelectric generation, and community, social, and cultural benefits. Loans are made for facilities which primarily serve rural residents of open country and rural towns and villages of not more than 20,000 population.

Applicants must be unable to obtain sufficient credit elsewhere to finance actual needs at reasonable rates and terms. Loans are repayable in not more than the useful life of the facility or 40 years, whichever is less. These loans bear interest not in excess of the current market yield for comparable term municipal obligations. Those loans, made in areas where the median household income falls below the higher of 80 percent of the statewide nonmetropolitan median household income or the poverty level and the project is needed to meet health or sanitary standards, bear interest not in excess of 5 percent which is the poverty line interest rate. The intermediate interest rate, which is the poverty line rate plus one-half the difference between the poverty line rate and the market rate, with a ceiling of 7 percent, applies when the loan does not meet the requirements of the poverty line rate and the median household income of the service area is not more than 100 percent of the nonmetropolitan median household income of the State. An additional 2 percent is added to the interest rate if projects are built on prime farmland, unless the borrower is a public body and there are no suitable optional sites.

3. Business and industrial development loans. These guaranteed loans are made to public, private, or cooperative organizations organized for profit or nonprofit, to certain Indian tribes or tribal groups, corporate entities, or to individuals for the purpose of improving the economic and environmental climate in rural areas. Such purposes include financing business and industrial acquisition, construction, conversion, enlargement, repair or modernization; financing the purchase and development of land, easements, rights-of-way, buildings, equipment, facilities, machinery, supplies and materials; and paying start-up costs and supplying working capital. Industrial development loans may be made in any area that is not within the outer boundary of any city having a population of 50,000 or more and its immediately adjacent urbanized and urbanizing areas with a population density of more than 100 persons per square mile. Special consideration for such loans is given to rural areas and cities having a population of 25,000 or less. To obtain a loan, a borrower must have the legal capacity necessary for constructing, operating, and maintaining the proposed facility and for obtaining, securing, and repaying the loan. A borrower must be financially sound and so organized and managed that efficient service will be provided. Loans may be guaranteed by FmHA not to exceed 90 percent of the loss. Guaranteed loans may be made with maturities of 7, 15 or 30 years, depending on the collateral, and bear interest at a rate agreed upon by the lender and borrower.

JUSTIFICATION OF INCREASE AND DECREASES

- (1) A decrease of \$130,380,000 for water and waste disposal loans and a decrease of \$95,700,000 for community facility loans (\$330,380,000 and \$95,700,000 respectively available in 1989).

The Administration recognizes the need to continue financial assistance to low-income communities to aid their efforts in providing basic public services and in meeting Federal water quality and drinking water standards. In response the Department established their Rural Development Initiative in 1987 to reevaluate and redirect assistance to low-income and very low-income communities. The 1990 budget reflects the Administration's continuing concern for rural development by proposing funding for direct water and waste disposal loans and grants. This funding would provide support for 379 water and waste systems.

- (2) An increase of \$50,000,000 for guaranteed water and waste disposal loans and an increase of \$50,000,000 for guaranteed community facility loans (No funds available in 1989). Water and waste disposal and community facility loans will shift to guaranteed lending authority. The new guaranteed loans will be targeted toward higher income borrowers who can afford market rate loans. This level will provide funds for 95 water and waste disposal systems and 116 community facilities.
- (3) A decrease of \$200,000,000 for guaranteed business and industrial loans (\$295,700,000 available in 1989). The Disaster Assistance Act of 1988, P.L. 100-387, provided \$200,000,000 for loan guarantees to rural business entities suffering economic hardship as a direct or indirect result of the extreme weather conditions faced by much of the Nation throughout fiscal year 1988. Loan guarantees may be made for up to 90 percent of the principal amount with a cap of \$500,000 per borrower. Although this guarantee authority is to remain available until expended, additional disaster assistance through the business and industrial loan program will not be necessary.

(b) Reimbursement for Interest Subsidies and Losses

Appropriation Act, 1989.....	\$1,596,047,000
Budget Estimate, 1990.....	1,474,499,000
Decrease in Appropriation.....	<u>-121,548,000</u>

PROJECT STATEMENT
(On basis of appropriation)
(In thousands of dollars)

Project	1988 Actual	1989 Actual	Increase or Decrease	1990 Estimated
Reimbursement for Interest				
Subsidies and Losses:				
Water and waste disposal				
loans:				
Water supply.....	\$367,530	\$392,336	-\$ 24,607	\$ 367,729
Waste disposal.....	147,823	144,410	-7,256	137,154
Combination water				
supply and waste				
disposal.....	46,926	45,672	-8,268	37,404
Community facility loans..	130,466	125,894	+13,624	139,518
Business and indus-				
trial loans.....	69,945	21,856	+9,301	31,157
Sale of loan assets.....	--	861,879	-103,842	758,037
Total Losses.....	762,690	1,592,047	-121,048(1)	1,470,999
Appropriation for FY 1985				
losses not reimbursed				
in FY 1987.....	+79,992	--	--	--
Amount of losses not				
appropriated in FY 1988..	-7,500	--	--	--
Appropriation for FY 1986				
losses not reimbursed				
in FY 1988.....		+7,500	-7,500(2)	--
Amount of losses not				
appropriated in FY 1989..	--	-11,000	+11,000	--
Appropriation for FY 1987				
losses not reimbursed				
in FY 1989.....	--	--	+11,000(3)	+11,000
Appropriation for FY 1988				
losses.....	--	+7,500	-15,000	-7,500
Total Appropriation.....	835,182	1,596,047	-121,548	1,474,499

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This appropriation is proposed to reimburse the Rural Development Insurance Fund for funded interest subsidies and losses incurred in fiscal years 1987 and 1988.

JUSTIFICATION OF INCREASE AND DECREASES

- (1) A decrease of \$121,048,000 for reimbursement of interest subsidies and losses incurred in 1988 (\$1,592,047,000 in interest subsidies and losses incurred in 1987).

Need for Change. The amount requested will reimburse the Rural Development Insurance Fund for interest subsidies and losses incurred in FY 1988. The loss results from the difference between interest rates charged to borrowers and the rate which the Government must pay for its own borrowing. The decrease in the sale of assets results from the discount on the loans purchased under the borrower discount purchase program being less than the discount the year before. The borrower discount purchase program resulted in a budget deficit reduction in FY 1988 and future interest subsidies will be less.

Nature of Change. The amount requested will reimburse the Rural Development Insurance Fund for interest subsidies and losses incurred in FY 1988.

- (2) The decrease of \$7,500,000 for reimbursement of interest subsidies and losses incurred in FY 1986, not reimbursed in FY 1988.

Need for Change. The amount of losses not appropriated in FY 1988 for FY 1986 losses was \$7,500,000.

Nature of Change. The amount of interest subsidies and losses incurred in FY 1986 was reimbursed in FY 1989.

- (3) The increase of \$11,000,000 reimbursement of interest subsidies and losses incurred in FY 1987, not reimbursed in FY 1989.

Need for Change. The amount of funding not made available in FY 1989 for FY 1987 losses was \$11,000,000. Congress appropriated the \$11,000,000 to the Rural Development Insurance Fund but instructed that it be transferred to the Rural Development Loan Fund to make loans in FY 1989.

Nature of Change. The amount requested will reimburse the Rural Development Insurance Fund for interest subsidies and losses incurred in FY 1987 that were made not available to the Rural Development Insurance Fund in FY 1989.

The following schedule presents an analysis of change in the cash position of the Fund.

Change in Cash Position of the Fund
(In thousands of dollars)

	<u>1988</u> <u>Actual</u>	<u>1989</u> <u>Estimated</u>	<u>1990</u> <u>Estimated</u>
Cash balance, beginning of year.....	<u>\$2,098,227</u>	<u>\$ 15,600</u>	<u>\$ 55,844</u>
Outlays.....	<u>-449,808</u>	<u>-595,803</u>	<u>-902,367</u>
Funds for financing:			
Appropriation for reimbursement of interest subsidies and losses....	835,182	1,596,047	1,474,499
Treasury borrowings.....	2,060,000	1,700,000	1,380,000
Federal Financing Bank borrowings.....	--	--	--
Repayment of borrowings from Treasury.....	-1,380,000	-2,160,000	-1,990,000
Repayment of borrowings from FFB ahead of schedule.....	<u>-3,148,000</u>	<u>-500,000</u>	<u>--</u>
Net financing.....	<u>-1,632,818</u>	<u>636,047</u>	<u>864,499</u>
Cash balance, end of year.....	<u>15,600</u>	<u>55,844</u>	<u>17,976</u>

Sale of Rural Development Loans

Public Laws 99-509 and 99-591 require FmHA to sell notes and other obligations held in the Rural Development Insurance Fund to the public on a nonrecourse basis. The Acts require the Agency to sell amounts necessary to realize net proceeds of not less than \$584 billion in FY 1989. An asset sale and a borrower discount purchase program totaling \$912.5 million in face value will be needed to reach this goal.

An analysis by loan program of the accrued operating deficit, exclusive of unfunded losses, is shown in the following tables. In accordance with the accounting principles and standards followed by FmHA, this schedule is prepared on an accrual basis.

Rural Development Insurance Fund
Operating Income and Expense Statement
(In thousands of dollars)

	Income		Expenses				Net Total
	Interest	Other	Total	Interest	Write- offs	Other	
1988 Actual							
Water and waste disposal loans:							
Water supply.....	176,679	1	176,680	543,303	--	1,106	544,409
Waste disposal.....	67,740	--	67,740	204,397	--	497	204,894
Combination water supply and waste disposal.....	19,792	--	19,792	57,025	--	171	57,196
Community facility loans.....	61,795	1	61,796	200,576	394	344	201,314
Business and industrial loans.....	39,315	2,921	42,236	24,020	221	49,152	73,393
Sale of loan assets.....	--	--	--	--	--	758,037	758,037
TOTAL.....	365,321	2,923	368,244	1,029,321	615	809,307	1,839,243
1989 Estimate							
Water and waste disposal loans:							
Water supply.....	144,337	2	144,339	488,451	--	130	488,581
Waste disposal.....	54,127	--	54,127	187,866	--	--	187,866
Combination water supply and waste disposal.....	18,042	--	18,042	46,966	--	--	46,966
Community facility loans.....	51,119	1	51,120	178,473	384	--	178,857
Business and industrial loans.....	31,094	1,985	33,079	37,573	216	54,432	92,221
Sale of loan assets.....	--	--	--	--	--	472,870	472,870
TOTAL.....	298,719	1,988	300,707	939,329	600	527,432	1,467,361
							-1,166,654

Rural Development Insurance Fund

Operating Income and Expense Statement - Continued
(In Thousands of Dollars)

	Income		Total	Expenses			Net Total	
	Interest	Other		Interest	Write- offs	Other		Total
1990 Estimate								
Water and waste disposal loans:								
Water supply.....	128,478	1	128,479	437,759	100	900	438,759	-310,280
Waste disposal.....	48,180	--	48,180	168,369	--	--	168,369	-120,189
Combination water supply and waste disposal.....	16,060	--	16,060	42,092	--	--	42,092	-26,032
Community facility loans.....	45,502	1	45,503	159,950	300	180	160,430	-114,927
Business and industrial loans.....	27,322	2,121	29,443	33,674	200	68,012	101,886	-72,443
TOTAL.....	265,542	2,123	267,665	841,844	600	69,092	911,536	-643,871

The following schedules present an analysis of outlays by loan program for fiscal years 1988, 1989 and 1990.

Rural Development Insurance Fund

Analysis of Outlays by Loan Program
Fiscal Year 1988 Actual
(In Thousands of Dollars)

	Water Supply Loans	Waste Disposal Loans	Combination Water Supply & Waste Dis- posal Loans	Community Facility Loans	Business & Industrial Loans	Total
<u>Funds for program operation:</u>						
<u>Funds expended:</u>						
Loans made by the fund.....	191,210	126,634	18,906	121,876	--	458,626
Purchase of certificates of beneficial ownership.....	80,245	29,334	10,266	24,506	380	144,731
Purchase of loans.....	43,341	20,390	12,648	--	--	76,379
Collections disbursed to investors.....	14,872	6,910	2,626	--	--	24,408
Interest expense.....	600,587	228,119	63,678	220,175	21,850	1,134,409
Investment in guaranteed loans.....	--	--	--	--	33,257	33,257
Loss settlement, guaranteed loans.....	103,718	46,823	16,087	20,978	31,025	187,606
FFB prepayment penalty.....	803,434	2,427	29,550	--	736	836,147
Other.....						
Total funds expended.....	1,837,407	460,637	153,761	387,535	87,248	2,926,588
<u>Funds received:</u>						
Repayments on loans.....	94,420	42,320	12,061	47,117	675	196,593
Payment of interest on loans.....	176,028	65,736	19,906	60,090	1,609	323,369
Collections received for investors.....	6,532	391	281	--	--	7,204
Payments on investment in guaranteed loans.....	--	--	--	--	46,010	46,010
Insurance premiums and guarantee fees.....	1	--	--	--	781	782
Principal on loan asset sale.....	566,110	249,639	85,368	157,747	--	1,058,864
Interest on loan asset sale.....	18,433	7,821	2,304	4,298	--	32,856
Other.....	389,240	156,895	49,994	138,089	76,884	811,102
Total funds received.....	1,250,764	522,802	169,914	407,341	125,959	2,476,780
Outlays.....	586,643	-62,165	-16,153	-19,806	-38,711	449,808

Rural Development Insurance Fund

Analysis of Outlays by Loan Program
Fiscal Year 1989 Estimated
(In thousands of Dollars)

	Water Supply Loans	Waste Disposal Loans	Combination Water Supply & Waste Dis- posal Loans	Community Facility Loans	Business & Industrial Loans	Total
Funds for program operation:						
Funds expended:						
Loans made by the fund.....	185,039	123,359	17,623	114,548	--	440,569
Purchase of certificates of beneficial ownership.....	49,353	17,947	6,281	15,255	897	89,733
Purchase of loans.....	--	--	--	--	--	--
Collections disbursed to investors.....	6,100	2,800	1,100	--	--	10,000
Interest expense.....	490,707	185,172	55,552	175,914	18,517	925,862
Investment in guaranteed loans.....	--	--	--	--	47,497	47,497
Loss settlement, guaranteed loans.....	--	--	--	--	15,632	15,632
FFB Prepayment penalty.....	79,404	36,093	12,993	15,880	--	144,370
Other.....	446	1	14	--	4	465
Total funds expended.....	811,049	365,372	93,563	321,597	82,547	1,674,128
Funds received:						
Repayments on loans.....	76,273	34,959	9,534	38,137	478	159,381
Payment of interest on loans.....	139,649	51,722	15,517	49,136	2,585	258,609
Collections received for investors.....	9,100	500	400	--	--	10,000
Payments on investment in guaranteed loans.....	--	--	--	--	43,650	43,650
Insurance premiums and guarantee fees....	1	--	--	--	2,661	2,662
Principal on loan asset sale.....	309,520	140,160	46,720	87,600	--	584,000
Interest on loan asset sale.....	10,204	4,373	1,275	2,369	--	18,221
Other.....	865	342	127	306	162	1,802
Total funds received.....	545,612	232,056	73,573	177,548	49,536	1,078,325
Outlays.....	265,437	133,316	19,990	144,049	33,011	595,803

Rural Development Insurance Fund

Analysis of Outlays by Loan Program
Fiscal Year 1990 Estimated
(In Thousands of Dollars)

	Water Supply Loans	Waste Disposal Loans	Combination Water Supply & Waste Dis- posal Loans	Community Facility Loans	Business & Industrial Loans	Total
<u>Funds for program operation:</u>						
Funds expended:						
Loans made by the fund.....	159,060	106,040	15,149	98,465	--	378,714
Purchase of certificates of beneficial ownership.....	3,000	1,091	382	927	54	5,454
Purchase of loans.....	45	21	13	--	--	79
Collections disbursed to investors.....	6,100	2,800	1,100	--	--	10,000
Interest expense.....	452,966	170,930	51,279	162,384	17,093	854,652
Investment in guaranteed loans.....	--	--	--	--	47,852	47,852
Loss settlement, guaranteed loans.....	--	--	--	--	31,025	31,025
Other.....	542	2	17	--	4	565
Total funds expended.....	621,713	280,884	67,940	261,776	96,028	1,328,341
<u>Funds received:</u>						
Repayments on loans.....	66,913	30,669	8,364	33,457	419	139,822
Payment of interest on loans.....	122,511	45,375	13,612	43,106	2,269	226,873
Collections received for investors.....	9,100	500	400	--	--	10,000
Payments on investment in guaranteed loans.....	--	--	--	--	42,734	42,734
Insurance premiums and guarantee fees.....	1	--	--	--	2,623	2,624
Other.....	1,882	784	235	667	353	3,921
Total funds received.....	200,407	77,328	22,611	77,230	48,398	425,974
Outlays.....	421,306	203,556	45,329	184,546	47,630	902,367

Rural Development Insurance Fund
Proposal for Later Transmittal, Proposed Legislation

SUMMARY OF DECREASE - PROPOSED LEGISLATION
(On basis of outlays)

Item of Change	FY 1990		
	Current Law	Change	President's Request
Outlays.....	-\$671,413,000	-\$74,097,000	-\$745,510,000

EXPLANATION OF PROPOSED LEGISLATION

Proposed legislation will also be submitted by the Department of Treasury to appropriate to Treasury the difference between the face value and net proceeds of loans sold and the prepayment penalty provisions associated with the redemption of Certificates of Beneficial Ownership ahead of schedule when such redemptions are pursuant to accomplishing sales of loan assets to the public.

Under the Rural Development Insurance Fund, \$39.9 million of penalties have been projected for redemption of \$120.0 million of Certificates of Beneficial Ownership in 1990 as part of the proposed sales of community program loans. The proposed legislation would eliminate the need for the Agency to make such payments to the Federal Financing Bank from the revolving fund to accomplish the redemptions. Therefore, this transaction would not have any government-wide budgetary impact.

Rural Development Insurance Fund Loan Subsidies
Proposed for Later Transmittal, Proposed Legislation - Credit Reform

Budget Estimate, Current Law, 1990.....	--
Change due to proposed legislation.....	\$38,600,000
Net Request, President's 1990 Budget Request.....	+38,600,000

SUMMARY OF INCREASE - PROPOSED LEGISLATION
(On basis of loan levels)

		FY 1990		
Item of Change	:	Current	:	Program
	:	Law	:	Changes
	:		:	President's
	:		:	Request
Loan subsidies.....	:	--	:	+38,600,000:
				\$38,600,000

EXPLANATION OF PROPOSED LEGISLATION

Under the Administration's credit reform proposal the rural community development program will continue to be operated by FmHA, although the loans will be disbursed from a new general fund account in Treasury. The additional \$38.6 million requested under this proposal is required to cover the interest subsidy cost related to a loan when it is made, rather than the annual subsidy as it occurs over the life of the loan. The subsidy for direct loans that have not been sold and guaranteed loans that have not been reinsured is the estimated present value of the difference in cost to the borrower between the Federal direct loan or guaranteed loan and alternative private financing available to the same or similar borrower for the same or a similar purpose.

Fees charged to the borrower that reduce the Federal subsidy will be taken into account in estimating the subsidy.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

Rural Development Insurance Fund

Water and Waste Disposal Loan Program

	1988 Amount	1989 Amount	1990 Amount
Alabama.....	9,011,400	9,634,000	7,267,500
Alaska.....	390,500	666,000	541,500
Arizona.....	7,360,200	2,251,000	1,730,250
Arkansas.....	14,863,300	7,017,000	5,304,750
California.....	10,102,600	10,097,000	7,614,750
Colorado.....	--	2,629,000	2,013,750
Connecticut.....	4,008,300	2,897,000	2,214,750
Delaware.....	1,700,000	877,000	699,750
Florida.....	7,925,000	8,023,000	6,059,250
Georgia.....	11,253,000	12,134,000	9,142,500
Hawaii.....	--	606,000	496,500
Idaho.....	1,890,200	2,249,000	1,728,750
Illinois.....	9,077,000	9,612,000	7,251,000
Indiana.....	8,156,100	9,074,000	6,847,500
Iowa.....	5,381,200	5,471,000	4,145,250
Kansas.....	1,759,500	3,696,000	2,814,000
Kentucky.....	18,931,130	11,323,000	8,534,250
Louisiana.....	8,375,100	8,412,000	6,351,000
Maine.....	7,834,710	3,081,000	2,352,750
Maryland.....	2,915,100	3,850,000	2,929,500
Massachusetts.....	7,951,300	4,286,000	3,256,500
Michigan.....	12,412,000	13,196,000	9,939,000
Minnesota.....	8,702,700	6,110,000	4,624,500
Mississippi.....	10,651,300	9,914,000	7,477,500
Missouri.....	3,317,600	8,022,000	6,058,500
Montana.....	2,046,400	1,896,000	1,464,000
Nebraska.....	462,300	2,774,000	2,122,500
Nevada.....	--	556,000	459,000
New Hampshire.....	1,372,500	1,939,000	1,496,250
New Jersey.....	8,100,500	3,712,000	2,826,000
New Mexico.....	55,000	2,197,000	1,689,750
New York.....	12,788,000	14,507,000	10,922,250
North Carolina.....	14,732,000	16,950,000	12,754,500
North Dakota.....	1,559,000	1,739,000	1,346,250
Ohio.....	12,325,000	13,692,000	10,311,000
Oklahoma.....	4,998,100	5,243,000	3,974,250
Oregon.....	4,149,500	4,146,000	3,151,500
Pennsylvania.....	15,594,000	17,323,000	13,034,250
Rhode Island.....	2,621,780	580,000	477,000
South Carolina.....	12,569,000	8,310,000	6,274,500
South Dakota.....	3,166,480	2,160,000	1,662,000
Tennessee.....	10,056,000	10,932,000	8,241,000
Texas.....	14,194,500	16,204,000	12,195,000
Utah.....	121,900	1,093,000	861,750
Vermont.....	5,848,500	1,669,000	1,293,750
Virginia.....	13,304,100	8,987,000	6,782,250
Washington.....	2,345,700	5,128,000	3,888,000
West Virginia.....	9,726,000	6,878,000	5,200,500
Wisconsin.....	1,409,500	7,354,000	5,557,500
Wyoming.....	--	747,000	602,250
Puerto Rico.....	2,865,000	17,425,000	13,099,750
Trust Territories..	--	556,000	459,000
Virgin Islands.....	--	556,000	459,000
Total, Available or Estimate.....	330,380,000	330,380,000	250,000,000

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

Rural Development Insurance Fund

Community Facilities Loan Program

	1988 Amount	1989 Amount	1990 Amount
Alabama.....	69,000	2,718,000	1,399,500
Alaska.....	--	472,000	276,500
Arizona.....	60,700	636,000	358,500
Arkansas.....	2,763,000	1,980,000	1,030,500
California.....	1,750,000	2,849,000	1,465,000
Colorado.....	--	741,000	411,000
Connecticut.....	785,000	817,000	449,000
Delaware.....	--	472,000	276,500
Florida.....	5,746,600	2,263,000	1,172,000
Georgia.....	1,490,000	3,423,000	1,752,000
Hawaii.....	--	472,000	276,500
Idaho.....	86,000	634,000	357,500
Illinois.....	1,313,900	2,712,000	1,396,500
Indiana.....	340,000	2,559,000	1,320,000
Iowa.....	874,300	1,543,000	812,000
Kansas.....	--	1,042,000	561,500
Kentucky.....	3,063,000	3,194,000	1,637,500
Louisiana.....	897,700	2,373,000	1,227,000
Maine.....	6,292,500	869,000	475,000
Maryland.....	6,060,600	1,086,000	583,500
Massachusetts.....	2,972,600	1,210,000	645,500
Michigan.....	2,925,000	3,723,000	1,902,000
Minnesota.....	5,211,000	1,723,000	902,000
Mississippi.....	385,000	2,797,000	1,442,500
Missouri.....	2,545,000	2,263,000	1,172,000
Montana.....	60,000	534,000	307,500
Nebraska.....	870,000	783,000	432,000
Nevada.....	--	472,000	276,500
New Hampshire.....	1,590,000	547,000	314,000
New Jersey.....	1,528,000	1,047,000	564,000
New Mexico.....	--	620,000	350,500
New York.....	3,655,500	4,092,000	2,086,500
North Carolina.....	9,261,400	4,782,000	2,431,500
North Dakota.....	500,000	490,000	285,500
Ohio.....	3,456,000	3,863,000	1,972,000
Oklahoma.....	--	1,479,000	780,000
Oregon.....	160,000	1,170,000	625,500
Pennsylvania.....	2,375,500	4,888,000	2,484,500
Rhode Island.....	1,980,000	472,000	276,500
South Carolina.....	3,216,300	2,344,000	1,212,500
South Dakota.....	1,855,000	609,000	345,000
Tennessee.....	1,860,000	3,084,000	1,582,500
Texas.....	2,009,000	4,572,000	2,326,500
Utah.....	91,000	472,000	276,500
Vermont.....	4,290,500	472,000	276,500
Virginia.....	2,328,900	2,536,000	1,308,500
Washington.....	561,000	1,447,000	764,000
West Virginia.....	4,135,000	1,940,000	1,010,500
Wisconsin.....	2,955,000	2,074,000	1,077,500
Wyoming.....	431,000	479,000	280,000
Puerto Rico.....	900,000	4,917,000	2,499,000
Trust Territories..	--	472,000	276,500
Virgin Islands.....	--	472,000	276,500
Total, Available or Estimate.....	95,700,000	95,700,000	50,000,000

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

Rural Development Insurance Fund

Business and Industrial Development Loan Program

	1988 Amount	1989 Amount	1990 Amount
Alabama.....	--	2,735,000	2,735,000
Alaska.....	2,100,000	588,000	588,000
Arizona.....	1,500,000	741,000	741,000
Arkansas.....	1,400,000	2,004,000	2,004,000
California.....	560,000	2,946,000	2,946,000
Colorado.....	700,000	686,000	686,000
Connecticut.....	--	676,000	676,000
Delaware.....	--	588,000	588,000
Florida.....	--	3,101,000	3,101,000
Georgia.....	2,805,000	3,165,000	3,165,000
Hawaii.....	1,734,000	588,000	588,000
Idaho.....	110,000	640,000	640,000
Illinois.....	--	3,266,000	3,266,000
Indiana.....	--	2,808,000	2,808,000
Iowa.....	--	1,464,000	1,464,000
Kansas.....	525,000	878,000	878,000
Kentucky.....	--	3,421,000	3,421,000
Louisiana.....	640,000	2,561,000	2,561,000
Maine.....	680,000	896,000	896,000
Maryland.....	--	969,000	969,000
Massachusetts.....	--	942,000	942,000
Michigan.....	2,295,000	3,714,000	3,714,000
Minnesota.....	4,531,500	1,839,000	1,839,000
Mississippi.....	1,350,000	2,781,000	2,781,000
Missouri.....	7,980,000	2,186,000	2,186,000
Montana.....	500,000	588,000	588,000
Nebraska.....	365,000	649,000	649,000
Nevada.....	--	588,000	588,000
New Hampshire.....	--	588,000	588,000
New Jersey.....	--	1,335,000	1,335,000
New Mexico.....	--	722,000	722,000
New York.....	1,160,000	3,732,000	3,732,000
North Carolina.....	14,230,000	4,565,000	4,565,000
North Dakota.....	--	588,000	588,000
Ohio.....	3,321,000	3,705,000	3,705,000
Oklahoma.....	2,775,000	1,638,000	1,638,000
Oregon.....	--	1,262,000	1,262,000
Pennsylvania.....	10,450,000	4,592,000	4,592,000
Rhode Island.....	--	588,000	588,000
South Carolina.....	6,911,000	2,214,000	2,214,000
South Dakota.....	3,000,000	588,000	588,000
Tennessee.....	1,500,000	3,128,000	3,128,000
Texas.....	10,010,500	4,080,000	4,080,000
Utah.....	824,000	588,000	588,000
Vermont.....	--	588,000	588,000
Virginia.....	--	2,214,000	2,214,000
Washington.....	--	1,720,000	1,720,000
West Virginia.....	8,697,900	2,159,000	2,159,000
Wisconsin.....	2,760,000	2,104,000	2,104,000
Wyoming.....	--	589,000	589,000
Puerto Rico.....	--	3,229,000	3,229,000
Trust Territories..	--	588,000	588,000
Virgin Islands.....	--	588,000	588,000
Drought Relief.....	--	200,000,000	--
Total, Available or Estimate.....	95,415,000	295,700,000	95,700,000

FARMERS HOME ADMINISTRATION

The 1990 Budget Estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Water and Waste Disposal Grants:

For grants pursuant to sections 306(a)(2) and 306(a)(6) of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1926), [~~\$109,395,000~~ \$75,000,000, to remain available until expended, pursuant to section 306(d) of the above Act.

Rural Water and Waste Disposal Grants

Appropriation Act, 1989.....	\$109,395,000
Budget Estimate, 1990.....	75,000,000
Decrease in Appropriation.....	<u>-34,395,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	1988 Actual	1989 Estimated	Decrease	1990 Estimated
Rural water & waste disposal grants:				
Water supply.....	\$ 61,731,570	\$61,732,000	-\$19,732,000	\$42,000,000
Waste disposal.....	43,320,400	43,320,000	-13,320,000	30,000,000
Combination - water & waste disposal..	3,249,030	3,249,000	-999,000	2,250,000
Technical assistance grants.....	1,094,000	1,094,000	-344,000	750,000
Total appropriation...	109,395,000	109,395,000	-34,395,000(1)	75,000,000

The preceding tabulation is based on amounts included in appropriation acts. The following tabulation shows estimated obligations on an available funds basis, including balances brought forward from prior years.

PROJECT STATEMENT
(On basis of obligations under available funds)

Project	1988 Actual	1989 Estimated	Increase or Decrease	1990 Estimated
Rural water & waste disposal grants:				
Water supply.....	\$ 66,672,244	\$61,955,585	-\$19,955,585	\$42,000,000
Waste disposal.....	47,462,223	44,253,990	-14,253,990	30,000,000
Combination - water & waste disposal..	2,927,700	3,331,400	-1,081,400	2,250,000
Technical assistance grants.....	2,297,000	1,094,000	-344,000	750,000
Total obligations.....	119,359,167	110,634,975	-35,634,975	75,000,000
Recovery of prior year obligations....	-8,320,776	--	--	--
Unobligated regular grant balance available, start of year.....	-1,680,366	-1,239,975	+1,239,975	--
Unobligated technical assistance grant available, start of year.....	-1,203,000	--	--	--
Unobligated regular grant balance available, end of year.....	1,239,975	--	--	--
Unobligated technical assistance grant balance available, end of year.....	--	--	--	--
Total appropriation	109,395,000	109,395,000	-34,395,000	75,000,000

Staff-years are reflected on the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

Rural water and waste disposal grants. Section 306 of the Consolidated Farm and Rural Development Act, as amended, provides appropriation authority for grants for the development costs of water and waste disposal projects in rural areas.

1. Eligibility of applicants: Development grants may be made to associations, including corporations operating on a nonprofit basis, municipalities, authorities, districts, certain Indian tribes, and similar organizations generally designated as public or quasi-public agencies, that propose projects for development of storage, treatment, purification, or distribution of domestic water or the collection, treatment, or disposal of waste in rural areas. Grants may be made to assist eligible applicants to pay for part of the development cost of such projects if necessary to reduce user charges to a reasonable level. In addition, grants may be made to private nonprofit organizations that have experience in providing technical assistance and training for such purposes as assisting in identifying and evaluating alternative solutions to problems relating to water and waste disposal, preparing applications, and improving operation and maintenance practices at existing plants. Combined loans and grants may be made when the applicant is able to repay part, but not all, of the project costs.

Grants also may be made to supplement other funds borrowed or furnished by applicants to pay development costs. An eligible project must serve a rural area which is not likely to decline in population below that for which the project was designed, and it must be designed and constructed so that adequate capacity will be or can be made available to serve the reasonably foreseeable growth needs of the area.

2. Limits: Water and waste disposal grants may not exceed 75 percent of the development cost of the project. The development cost may include the cost of construction of the proposed facility including rights-of-way, land rights, water rights, engineering fees, and legal fees.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$34,395,000 for rural water and waste disposal grants (\$109,395,000 available in 1989).

The Administration recognizes the need to continue financial assistance to low-income communities to aid their efforts in providing basic public services and in meeting Federal water quality and drinking water standards. In response the Department established their Rural Development Initiative in 1987 to reevaluate and redirect assistance to low- and very low-income communities. The 1990 budget reflects the Administration's continuing concern for rural development by proposing \$75 million be made available to support 195 water and waste grants to very low-income communities.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

Rural Water and Waste Disposal Grant Program

	1988 Amount	1989 Amount	1990 Amount
	-----	-----	-----
Alabama.....	3,123,000	3,150,000	2,050,000
Alaska.....	--	400,000	400,000
Arizona.....	876,040	725,000	595,000
Arkansas.....	6,687,800	3,175,000	2,065,000
California.....	4,337,700	3,250,000	2,110,000
Colorado.....	--	850,000	670,000
Connecticut.....	129,600	935,000	721,000
Delaware.....	782,000	400,000	400,000
Florida.....	4,063,300	2,600,000	1,720,000
Georgia.....	2,479,000	3,900,000	2,500,000
Hawaii.....	--	400,000	400,000
Idaho.....	565,200	725,000	595,000
Illinois.....	2,768,300	3,100,000	2,020,000
Indiana.....	2,391,700	2,925,000	1,915,000
Iowa.....	1,884,100	1,775,000	1,225,000
Kansas.....	932,100	1,200,000	880,000
Kentucky.....	3,854,273	3,675,000	2,365,000
Louisiana.....	2,957,600	2,725,000	1,795,000
Maine.....	4,772,100	1,000,000	760,000
Maryland.....	1,138,690	1,200,000	880,000
Massachusetts.....	2,742,600	1,415,000	1,009,000
Michigan.....	3,891,800	4,000,000	2,560,000
Minnesota.....	2,422,650	1,975,000	1,345,000
Mississippi.....	3,227,000	3,200,000	2,219,000
Missouri.....	4,566,400	2,600,000	1,720,000
Montana.....	1,377,900	1,000,000	760,000
Nebraska.....	905,000	300,000	700,000
Nevada.....	--	400,000	400,000
New Hampshire.....	575,000	625,000	535,000
New Jersey.....	2,108,500	1,200,000	880,000
New Mexico.....	--	700,000	530,000
New York.....	4,276,450	4,675,000	2,965,000
North Carolina.....	5,457,800	5,450,000	3,430,000
North Dakota.....	--	575,000	505,000
Ohio.....	4,093,590	4,250,000	2,710,000
Oklahoma.....	5,385,870	2,000,000	1,360,000
Oregon.....	3,680,400	1,500,000	1,060,000
Pennsylvania.....	5,033,000	5,600,000	3,520,000
Rhode Island.....	234,750	400,000	400,000
South Carolina.....	2,729,800	2,750,000	1,810,000
South Dakota.....	1,830,000	700,000	580,000
Tennessee.....	3,269,000	3,550,000	2,290,000
Texas.....	4,705,000	5,225,000	3,295,000
Utah.....	516,600	425,000	415,000
Vermont.....	485,000	525,000	475,000
Virginia.....	3,370,650	3,200,000	2,080,000
Washington.....	976,694	1,650,000	1,150,000
West Virginia.....	2,720,000	2,725,000	1,795,000
Wisconsin.....	1,755,600	2,375,000	1,585,000
Wyoming.....	128,600	400,000	400,000
Puerto Rico.....	2,100,000	5,735,000	3,601,000
Trust Territories..	--	400,000	400,000
Virgin Islands.....	--	400,000	400,000
Total, Available or Estimate	119,359,167	110,635,000	75,000,000

FARMERS HOME ADMINISTRATION

The 1990 Budget Estimates include proposed language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Housing for Domestic Farm Labor:

For financial assistance to eligible nonprofit organizations for housing for domestic farm labor, pursuant to section 516 of the Housing Act of 1949, as amended (42 U.S.C. 1486), [~~\$9,513,000~~] \$5,000,000, to remain available until expended.

Rural Housing for Domestic Farm Labor

Appropriation Act, 1989.....	\$9,513,000
Budget Estimate, 1990.....	5,000,000
Decrease in Appropriation.....	<u>-4,513,000</u>

PROJECT STATEMENT

(On basis of adjusted appropriation
and on basis of obligations under available funds)

Project	1988 Actual	1989 Estimated	Increase or Decrease	1990 Estimated
Rural housing for domestic farm labor grants.....	\$11,297,304	\$ 9,963,011	-\$ 4,963,011	\$5,000,000
Unobligated balance available, start of year.....	-2,234,315	-450,011	+450,011	--
Recovery of prior year obligations.....	--	--	--	--
Unobligated balance available, end of year.....	450,011	--	--	--
Total appropriation.....	9,513,000	9,513,000	-4,513,000(1)	5,000,000

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

Under section 516 of the Housing Act of 1949, FmHA is authorized to share with state or other political subdivisions, public or private nonprofit organizations, or nonprofit organizations of farmworkers, the cost of providing low-rent housing, basic household furnishings, and related facilities to be used by domestic farm laborers. Such housing may be for year-round or seasonal occupancy, and consist of family unit apartments or dormitory-type units, constructed in an economical manner. Grant assistance may not exceed 90 percent of the total development cost. Applicants furnish as much of the development cost as they can afford by using their own resources, by borrowing either from private sources or obtaining an insured loan under section 514 of the Housing Act. The applicant must agree to charge rents that do not exceed amounts approved by the Secretary, maintain the housing in a safe and sanitary condition, and give occupancy preference to domestic farm laborers.

The obligations incurred by the applicant as a condition of the grant continue for 50 years from the date of the grant unless terminated sooner by the Farmers Home Administration. Grant obligations are secured by a mortgage on the housing or other security. In the event of default, the Farmers Home Administration has the option to require repayment of the grant.

Justification of Decrease

- (1) A decrease of \$4,513,000 for rural housing for domestic farm labor (\$9,513,000 available in FY 1989).

Need for Change. The Administration recognizes the need to continue financial assistance for this program, however, to reduce Federal outlays the budget proposes a reduction in this program.

Nature of Change. The program level will provide 5 grants in FY 1990 to finance 100 units.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

Rural Housing for Domestic Farm Labor

	1988 Amount	1989 Amount	1990 Amount
	-----	-----	-----
California.....	5,272,630	2,800,000	1,400,000
Delaware.....	45,000	50,011	25,006
Florida.....	2,758,000	2,800,000	1,400,000
Maryland.....	369,724	200,000	100,000
New York.....	--	63,000	31,000
North Carolina.....	--	2,250,000	1,000,000
Oregon.....	487,500	100,000	50,000
Pennsylvania.....	519,000	200,000	100,000
Tennessee.....	750,150	300,000	150,000
Washington.....	1,095,300	--	244,000
Virginia.....	--	1,200,000	500,000
	-----	-----	-----
Total, Available or Estimate.....	11,297,304	9,963,011	5,000,006
	-----	-----	-----

FARMERS HOME ADMINISTRATION

The 1990 Budget Estimates include language for this item as follows (deleted matter enclosed in brackets):

Mutual and Self-Help Housing:

[For grants and contracts pursuant to section 523(b)(1)(A) of the Housing Act of 1949 (42 U.S.C. 1490c), \$8,000,000.]

This change eliminates the appropriation language for this program. No appropriation is requested in fiscal year 1990.

Mutual and Self-Help Housing

Appropriation Act, 1989.....	\$8,000,000
Budget Estimate, 1990.....	--
Decrease in Appropriation.....	<u><u>-8,000,000</u></u>

PROJECT STATEMENT

(On basis of adjusted appropriation and on
basis of obligations under available funds)

Project	: 1988 : Actual	: 1989 : Estimated	: Increase or : Decrease	: 1990 : Estimated
Mutual and self-help housing grants.....	\$5,754,693	\$16,542,509	-\$16,542,509	--
Recovery of prior year obligations.....	-764,563	--	--	--
Unobligated balance available, start of year..	-5,532,639	-8,542,509	+8,542,509	--
Unobligated balance available, end of year...	8,542,509	--	--	--
Total appropriation.....	8,000,000	8,000,000	-8,000,000(1):	--

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This grant program is authorized under section 523 of the Housing Act of 1949, as amended. Grants are made to local organizations to promote the development of mutual or self-help housing programs under which groups of usually six to ten families build their own homes by mutually exchanging labor. Funds may be used to pay the cost of construction supervisors who will work with families to guide them in the construction of their homes and for administrative expenses of the organizations providing the self-help assistance.

This program also provides for contract funds for training to be provided to members and staff of self-help technical assistance grant recipient organizations which sponsor and supervise self-help projects.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$8,000,000 for mutual and self-help housing (\$8,000,000 available in FY 1989).

Need for Change. This program is proposed for termination. Families eligible to be assisted under this program may request assistance under the housing voucher program which provides housing assistance more efficiently and offers a greater choice of housing opportunities to the program recipients.

Nature of Change. No appropriation is requested for FY 1990.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

Mutual and Self-Help Housing Grants

	1988 Amount	1989 Amount	1990 Amount
Arizona.....	366,000	1,007,598	--
Arkansas.....	--	300,000	--
California.....	2,433,200	6,698,600	--
Colorado.....	25,000	68,825	--
Florida.....	786,653	2,165,656	--
Maryland.....	117,000	322,101	--
Massachusetts.....	180,150	495,953	--
Mississippi.....	361,950	996,778	--
Missouri.....	125,000	344,125	--
North Carolina.....	--	400,000	--
Ohio.....	321,800	885,915	--
Oklahoma.....	158,000	434,974	--
Texas.....	119,170	328,075	--
Washington.....	280,000	770,840	--
Wisconsin.....	480,770	1,323,560	--
Total, Available or Estimate.....	5,754,693	16,543,000	--

FARMERS HOME ADMINISTRATION

The 1990 Budget Estimates include proposed changes in the language of this item as follows (deleted matter enclosed in brackets):

Office of the Administrator:

[For necessary salaries and expenses of the Office of the Administrator of the Farmers Home Administration, \$600,000: Provided, That no other funds in this act shall be available for this office.]

This change eliminates the separate appropriation language for the account. To provide for a more efficient operation, it is proposed that the Administrator's costs be funded from the Farmers Home Administration Salaries and Expenses Appropriation.

Office of the Administrator

Appropriation Act, 1989.....	\$600,000
Budget Estimate, 1990.....	--
Decrease in Appropriation.....	<u>-600,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	1988 Actual	1989 Estimated	Decrease	1990 Estimated
Office of the Administrator.....	\$416,745	\$600,000	-\$600,000	--
Unobligated Balance	183,255	--	--	--
Total appropriation ..	600,000	600,000	-600,000(1)	--

Staff-years are reflected on the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

The Administrator, Associate Administrator and their immediate staffs provide overall policy and administrative direction for the Farmers Home Administration's Housing, Community Development and Farm Lending programs in addition to the general coordination of activities with the Administration, Congress and public sector to foster Rural Development.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$600,000 for the Office of the Administrator (\$600,000 available in 1989).

Need for Change. The Fiscal Year 1989 Rural Development, Agriculture, and Related Agencies Act, P.L. 100-460 established a separate appropriation account for the Office of the Administrator. The separation of the regular Salaries and Expenses appropriation and the Office of the Administrator appropriation unduly restricts the discretion of the Administrator to carry out the Agency's programs in the most cost effective manner. Changes in Policy or Congressional mandates could better be served if the Office of the Administrator account would be merged with Salaries and Expenses.

Nature of Change. A separate appropriation account is not requested for FY 1990.

FARMERS HOME ADMINISTRATION

The 1990 Budget Estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses

- For necessary expenses of the Farmers Home Administration, not otherwise provided for, in administering the programs authorized by the Consolidated Farm and Rural Development Act (7 U.S.C. 1921-2000), as amended; title V of the Housing Act of 1949, as amended (42 U.S.C. 1471-1490o); the Rural Rehabilitation Corporation Trust Liquidation Act, approved May 3, 1950 (40 U.S.C. 440-444), for administering the loan program authorized by title III A of the Economic Opportunity Act of 1964 (Public Law 88-452 approved August 20, 1964), as amended, and such other programs which Farmers Home Administration has the responsibility for administering, [\$414,734,000 \$418,334,000, together with not more than \$3,000,000 of the charges collected in connection with the insurance of loans as authorized by section 309(a) of the Consolidated Farm and Rural Development Act, as amended, and section 517(i) of the Housing Act of 1949, as amended, or in connection with charges made on borrowers under section 502(a) of the Housing Act of 1949, as amended: Provided, That, in addition, not to exceed \$1,000,000 of the funds available for the various programs administered by this agency may
- 1 be transferred to this appropriation for temporary [field] employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), to meet unusual or heavy workload increases: Provided further, That not to exceed \$500,000 of this appropriation may be used for
 - 2 employment under 5 U.S.C. 3109 [:Provided further, That not to exceed \$2,868,000 of this appropriation shall be available for contracting with the National Rural Water Association or other equally qualified national organization for a circuit rider program to provide technical assistance for rural water systems: Provided further, That notwithstanding any other provision of law, \$2,000,000 of this appropriation shall be available solely to carry out H.R. 5373 and S. 2836, the Lower Mississippi Delta Development Act, as introduced in the House of Representatives on September 26, 1988, and in the Senate on September 27, 1988, and the provisions of such bills are hereby incorporated by reference and made a part of this Act: Provided further, That, in addition to any other authority that the Secretary may have to defer principal and interest and forego foreclosure, the Secretary may permit, at the request of the borrowers, the deferral of principal and interest on any outstanding loan made, insured, or held by the Secretary under this title, or under the provisions of any other law administered by the Farmers Home Administration, and may forego foreclosure of any such loan, for such period as the Secretary deems necessary upon a showing by the borrower that due to circumstances beyond the borrower's control, the borrower is temporarily unable to continue making payments of such principal and interest when due without unduly impairing the standard of living of the borrower. The Secretary may permit interest that accrues during the deferral period on any loan deferred under this section to bear no interest during or after such period: Provided, That, if the security instrument securing such loan is foreclosed, such interest as is included in the purchase price at such foreclosure shall become part of the principal and draw interest from the date of foreclosure at the rate prescribed by law].

The first change deletes language restricting the use of certain employment in order to utilize such employment in all offices.

The second change deletes language limiting the amount for contracting for the circuit rider program. In order to ensure that the function is carried out properly, the Agency needs the flexibility to bargain with the contractor. Also deletes language pertaining to providing additional funding for the Lower Mississippi Delta Development Act in 1990 and the deferral of principal and interest in certain cases and under certain foreclosure practices which is already incorporated into Agency regulations.

FARMERS HOME ADMINISTRATION

SALARIES AND EXPENSES

	Appropriation	Transfer from Rural Housing & Agricultural Credit Insurance Funds	Transfer from Agricultural Credit Insurance Fund for Temporary Field Employment	Total
Appropriation Act, 1989:				
Salaries & Expenses.....	\$414,734,000	\$3,000,000	\$1,000,000	\$418,734,000
Office of the Administrator.	600,000	--	--	600,000 a/
Total Appropriation, 1989.	415,334,000	3,000,000	1,000,000	419,334,000
Budget estimate, 1990.....	418,334,000	3,000,000	1,000,000	422,334,000
Increase in appropriation.....	+3,000,000	--	--	+3,000,000
Adjustments in 1989:				
Appropriation Act.....	\$415,334,000	\$3,000,000	\$1,000,000	\$419,334,000
Transfer from Departmental Administration Standard Level User Charges.....	+183,497	--	--	+183,497
Adjusted base for 1989.....	415,517,497	3,000,000	1,000,000	419,517,497
Budget Estimate, 1990..	418,334,000	3,000,000	1,000,000	422,334,000
Increase over Adjusted 1989.	+2,816,503	--	--	+2,816,503

SUMMARY OF INCREASES AND DECREASES
(on basis of adjusted appropriation)

Item of Change	1989 Estimate	Program Changes	1990 Estimate
Expenses for administration of grant and direct and insured loan programs....	\$419,517,497	+\$2,816,503	\$422,334,000
Total, Available.....	419,517,497	+2,816,503	422,334,000

a/ Estimated funding for the Office of the Administrator is included in the Salaries and Expenses estimate for FY 1990.

PROJECT STATEMENT
(On Basis of Adjusted Appropriation)

Project	1988 Actual		1989 Estimated		Increase or Decrease	1990 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Low-income housing assistance.	\$215,212,329:	5,357	\$229,362,397:	5,272	-\$8,722,397	\$220,640,000:	4,954
Moderate income housing assistance... ..	32,611,433:	812	32,658,800:	751	+4,761,200	37,420,000:	840
Farm loan programs assistance.....	134,994,371:	3,360	133,680,000:	3,073	+12,119,000	145,799,000:	3,274
Community programs assistance.....	16,614,099:	414	15,307,500:	352	-629,500	14,678,000:	330
Loans for associations or groups ..	655,312:	16	667,400:	15	+100,600	768,000:	17
Business and Industry assistance.....	2,389,963:	59	7,841,400:	180	-4,812,400	3,029,000:	68
Total, administration of grant and direct and insured loan programs.....	402,477,507:	10,018	419,517,497:	9,643	+2,816,503	422,334,000:	9,483
Unobligated balance.....	6,859,536:	--	--	--	--	--	--
Total available or estimate... ..	409,337,043:	10,018	419,517,497:	9,643	(1)	422,334,000:	9,483
Transfer from Rural Housing & Agricultural Credit Insurance Funds.....	--:		-3,000,000:				
Transfer from Agricultural Credit Insurance Fund....	-1,000,000:		-1,000,000:				
Transfer from Department Administration standard level user charges:	-103,043:		-183,497:				
Total Appropriation :	408,234,000:		415,334,000:				

EXPLANATION OF PROGRAM

Funds appropriated to this account are used to administer the various loan and grant programs of the Farmers Home Administration, with the exception of Emergency, Watershed, Flood and Resource Conservation and Development loans. Funds are made available from the Agricultural Credit Insurance Fund to provide for the Emergency Disaster Program. An annual allotment is received from the Soil Conservation Service to fund the costs of administering Watershed, Flood, and Resource Conservation and Development loans. Administration of the programs includes the reviewing of applications, making and collecting loans, and extending technical assistance to borrowers.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A net increase of \$2,816,503 for the administration of loan and grant programs consisting of:

Need for Change. The reduction in lending activity for 1990, primarily in the housing programs, and resolution of a substantial portion of the delinquent farm accounts during 1989 should provide an opportunity for a modest reduction (160) in staff years and associated administrative costs in 1990. Further, overall productivity should increase due to extensive use of automated systems and management improvements. However, the average staff year cost of operating the Agency's programs continues to increase, resulting in an overall net increase. If a reduction in staff years cannot be achieved due to unforeseen workload in the farm accounts, or for other reasons, FmHA can maintain its 1989 staffing level of 12,675 through 1990 using the Agricultural Credit Insurance Fund to meet the staffing requirements.

Nature of Change. The Agency plans to use only 12,515 ceiling staff years during FY 1990 associated with appropriated fund activities. As in the past, additional staffing which may be needed for emergency loan and other unforeseen loan processing, will be financed from the applicable revolving funds financing such activity. Administrative costs have been reduced to minimum requirements to fund 12,515 staff years.

FARMERS HOME ADMINISTRATION

Positions Filled, Staff-Years and Average
Grade and Salary by Organizational Unit

Organizational Unit	Positions Filled At End of Year		Staff- Years	Permanent	Full-time
	Permanent Full-time	Other		Average Grade	Average Salary
<u>FISCAL YEAR 1988:</u>					
National Office	520	37	561	10.50	\$32,920
Finance Office and Field Support	905	53	924	7.45	23,360
State Offices	1,626	145	1,751	9.35	29,310
District Offices	1,280	111	1,401	9.40	29,470
County Offices	<u>7,030</u>	<u>3,645</u>	<u>8,096</u>	<u>7.10</u>	<u>22,260</u>
Total, FmHA	11,361	3,991 <u>1/</u>	12,733	7.83	24,550
<u>FISCAL YEAR 1989: (estimate)</u>					
National Office	547	40	578	10.50	34,270
Finance Office and Field Support	945	70	1,000	7.45	24,320
State Offices	1,620	150	1,750	9.35	30,510
District Offices	1,270	115	1,400	9.40	30,680
County Offices	<u>7,406</u>	<u>3,925</u>	<u>8,447</u>	<u>7.10</u>	<u>23,170</u>
Total, FmHA	11,788	4,300 <u>1/</u>	13,175	7.83	25,555
<u>FISCAL YEAR 1990: (estimate)</u>					
National Office	540	39	570	10.50	34,270
Finance Office and Field Support	935	68	988	7.45	24,320
State Offices	1,600	145	1,730	9.35	30,510
District Offices	1,255	110	1,385	9.40	30,680
County Offices	<u>7,298</u>	<u>3,888</u>	<u>8,342</u>	<u>7.10</u>	<u>23,170</u>
Total, FmHA	11,628	4,250 <u>1/</u>	13,015	7.83	25,555

1/ Includes non-ceiling employees such as Stay-in-School:
FY 1988, 295; FY 1989, 300; and FY 1990, 300.

FARMERS HOME ADMINISTRATION
Salaries and Expenses
Obligations by Organizational Unit 1/
(in thousands rounded)

Organizational Unit	Personnel Comp. and Benefits	Obligations			Total
		Travel	All Other		
FISCAL YEAR 1988:					
National Office	\$24,157	\$1,095	\$5,916		\$31,168
Finance Office and Field Support	26,242	358	6,981		33,581
State Offices	56,201	6,109	13,230		75,540
District Offices	45,740	3,393	10,585		59,718
County Offices	<u>207,947</u>	<u>7,466</u>	<u>61,169</u>		<u>276,582</u>
Total, FmHA	360,287	18,421	97,881		476,589
Less Allocations from other accounts	<u>-56,595</u>	<u>-3,036</u>	<u>-14,114</u>		<u>-73,745</u>
Total, S&E, FmHA	<u>303,692</u>	<u>15,385</u>	<u>83,767</u>		<u>402,844</u>
FISCAL YEAR 1989: (estimate)					
National Office	25,900	1,300	6,900		34,100
Finance Office and Field Support	29,600	900	8,700		39,200
State Offices	59,000	6,900	15,200		81,100
District Offices	48,000	3,900	12,100		64,000
County Offices	<u>227,770</u>	<u>8,476</u>	<u>73,349</u>		<u>309,595</u>
Total, FmHA	390,270	21,476	116,249		527,995
Less Allocations from other accounts	<u>-83,766</u>	<u>-4,759</u>	<u>-19,268</u>		<u>-107,793</u>
Total, S&E, FmHA	<u>306,504</u>	<u>16,717</u>	<u>96,981</u>		<u>420,202</u>
FISCAL YEAR 1990: (estimate)					
National Office	25,910	1,300	7,000		34,210
Finance Office and Field Support	29,620	900	8,900		39,420
State Offices	59,030	6,950	15,500		81,480
District Offices	48,030	3,950	12,300		64,280
County Offices	<u>227,946</u>	<u>8,577</u>	<u>74,899</u>		<u>311,422</u>
Total, FmHA	390,536	21,677	118,599		530,812
Less Allocations from other accounts	<u>-83,724</u>	<u>-4,757</u>	<u>-19,312</u>		<u>-107,793</u>
Total, S&E, FmHA	<u>306,812</u>	<u>16,920</u>	<u>99,287</u>		<u>423,019</u>

1/ Includes reimbursable obligations.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1988 Actual and Estimated 1989 and 1990

	Salaries and Expenses					
	1988 Staff Years	1988 Amount	1989 Staff Years	1989 Amount	1990 Staff Years	1990 Amount
Alabama.....	290	\$10,898,400	300	\$12,223,000	296	\$12,280,000
Alaska.....	25	1,240,221	26	1,059,000	26	1,079,000
Arizona.....	112	4,204,807	114	4,645,000	113	4,688,000
Arkansas.....	364	14,038,830	367	14,953,000	362	15,018,000
California.....	252	9,264,229	253	10,308,000	250	10,372,000
Colorado.....	123	5,177,871	126	5,134,000	124	5,144,000
Connecticut.....	36	1,381,638	38	1,548,000	38	1,576,000
Delaware.....	46	1,745,953	48	1,956,000	47	1,950,000
Florida.....	196	7,555,876	213	8,678,000	210	8,712,000
Georgia.....	314	11,818,134	333	13,567,000	329	13,649,000
Hawaii.....	45	1,824,536	44	1,793,000	43	1,784,000
Idaho.....	168	6,842,696	171	6,967,000	169	7,011,000
Illinois.....	333	12,537,216	340	13,853,000	336	13,939,000
Indiana.....	255	9,127,855	264	10,756,000	261	10,828,000
Iowa.....	368	14,123,940	386	15,727,000	381	15,806,000
Kansas.....	227	8,431,374	226	9,208,000	223	9,252,000
Kentucky.....	334	12,727,151	351	14,301,000	347	14,396,000
Louisiana.....	283	10,412,980	289	11,775,000	285	11,824,000
Maine.....	177	6,989,314	181	7,374,000	179	7,426,000
Maryland.....	72	2,696,931	75	3,056,000	74	3,070,000
Massachusetts.....	71	2,734,582	74	3,015,000	73	3,029,000
Michigan.....	278	9,845,084	286	11,653,000	282	11,699,000
Minnesota.....	304	11,628,745	318	12,956,000	314	13,027,000
Mississippi.....	451	18,377,624	478	19,475,000	472	19,582,000
Missouri.....	374	14,483,830	388	15,808,000	383	15,889,000
Montana.....	125	5,018,910	133	5,419,000	131	5,435,000
Nebraska.....	209	7,863,479	223	9,086,000	220	9,127,000
Nevada.....	25	959,437	27	1,100,000	27	1,120,000
New Hampshire.....	45	1,735,646	47	1,915,000	46	1,908,000
New Jersey.....	102	3,899,818	111	4,522,000	110	4,564,000
New Mexico.....	118	4,619,618	117	4,767,000	116	4,812,000
New York.....	278	10,513,981	293	11,938,000	289	11,990,000
North Carolina.....	479	17,842,947	490	19,964,000	484	20,080,000
North Dakota.....	215	8,537,305	221	9,004,000	218	9,044,000
Ohio.....	258	9,441,550	258	10,512,000	255	10,579,000
Oklahoma.....	302	11,645,465	308	12,549,000	304	12,612,000
Oregon.....	135	5,245,396	133	5,419,000	131	5,435,000
Pennsylvania.....	258	9,132,862	269	10,960,000	266	11,035,000
Rhode Island.....	18	711,608	19	774,000	19	788,000
South Carolina.....	248	8,966,606	261	10,634,000	258	10,704,000
South Dakota.....	216	8,168,820	227	9,249,000	224	9,293,000
Tennessee.....	354	13,467,322	359	14,627,000	354	14,686,000
Texas.....	544	21,674,313	562	22,898,000	555	23,025,000
Utah.....	107	4,087,832	113	4,604,000	112	4,646,000
Vermont.....	84	3,266,920	87	3,545,000	86	3,568,000
Virginia.....	276	10,548,889	274	11,164,000	271	11,243,000
Washington.....	144	5,667,920	144	5,867,000	142	5,891,000
West Virginia.....	164	6,205,694	165	6,723,000	163	6,762,000
Wisconsin.....	283	10,207,266	290	11,815,000	286	11,865,000
Wyoming.....	82	3,329,035	87	3,545,000	86	3,568,000
Puerto Rico.....	206	7,484,808	217	8,841,000	214	8,878,000
Trust Territories.....	27	1,089,696	26	1,059,000	26	1,079,000
Virgin Islands.....	10	397,095	10	407,000	10	415,000
Subtotal.....	10,809	411,840,055	11,160	454,695,000	11,020	457,182,000
National Office.....	544	31,167,783	558	34,100,497	550	34,210,000
Finance Office & Field Support.....	882	33,580,849	957	39,200,000	945	39,420,000
Total, Available or Estimate.....1/	12,235	476,588,687	12,675	527,995,497	12,515	530,812,000

1/ Does not include non-ceiling staff-years.

FARMERS HOME ADMINISTRATION

The 1990 Budget Estimates include proposed changes in the language of this item as follows (deleted matter enclosed in brackets):

Rural Community Fire Protection Grants:

[For grants pursuant to section 7 of the Cooperative Forestry Assistance Act of 1978 (Public Law 95-313), \$3,091,000 to fund up to 50 per centum of the cost of organizing, training, and equipping rural volunteer fire departments.]

This change eliminates the appropriation language for this program. No funds are requested for fiscal year 1990.

Rural Community Fire Protection Grants

Appropriation Act, 1989.....	\$3,091,000
Budget Estimate, 1990.....	--
Decrease in Appropriation.....	<u>-3,091,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	1988 Actual	1989 Estimated	Decrease	1990 Estimated
Rural community fire protection grants...	\$3,071,387	\$3,091,000	-\$-3,091,000	--
Unobligated balance lapsing.....	19,613	--	--	--
Total appropriation...	3,091,000	3,091,000	-3,091,000(1):	--

Staff-years are reflected on the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This assistance was authorized by section 7 of the Cooperative Forestry Assistance Act of 1978. Grants are made to public bodies to organize, train, and equip local fire-fighting forces, including those of Indian tribes or other native groups, to prevent, control, and suppress fires threatening human lives, crops, livestock, farmsteads or other improvements, pastures, orchards, wildlife, rangeland, woodland, and other resources in rural areas.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$3,091,000 for the rural community fire protection grants (\$3,091,000 available in 1989).

Need for Change. This program is being terminated as part of the Administration's efforts to reduce the size and scope of Federal programs to meet deficit targets. The Administration believes that credit assistance for this purpose is available in the private credit market.

Nature of Change. No funds are proposed for this program in FY 1990.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

Rural Community Fire Protection Grants

	1988 Amount	1989 Amount	1990 Amount
Alabama	\$48,400	49,800	--
Alaska	67,000	68,400	--
Arizona	46,500	47,900	--
Arkansas	49,400	50,800	--
California	117,200	118,600	--
Colorado	58,900	60,300	--
Connecticut	21,850	23,250	--
Delaware	16,150	17,550	--
Florida	64,600	66,000	--
Georgia	57,900	59,300	--
Hawaii	18,000	19,400	--
Idaho	36,400	37,800	--
Illinois	115,900	117,300	--
Indiana	79,800	81,200	--
Iowa	104,500	105,900	--
Kansas	105,300	106,700	--
Kentucky	53,200	54,600	--
Louisiana	66,300	67,700	--
Maine	23,750	25,150	--
Maryland	33,250	34,650	--
Massachusetts	24,700	26,100	--
Michigan	84,550	85,950	--
Minnesota	118,750	120,150	--
Mississippi	48,400	51,900	--
Missouri	87,400	88,800	--
Montana	61,500	62,900	--
Nebraska	80,600	82,000	--
Nevada	23,600	25,000	--
New Hampshire	17,100	18,500	--
New Jersey	34,200	35,600	--
New Mexico	32,000	33,400	--
New York	81,700	83,100	--
North Carolina	69,300	70,700	--
North Dakota	99,100	100,500	--
Ohio	90,250	91,650	--
Oklahoma	59,800	61,200	--
Oregon	49,500	50,900	--
Pennsylvania	91,200	92,600	--
Rhode Island	13,300	14,700	--
South Carolina	44,600	46,000	--
South Dakota	74,100	75,500	--
Tennessee	55,100	56,500	--
Texas	156,700	158,100	--
Utah	31,500	32,900	--
Vermont	18,050	19,450	--
Virginia	47,500	48,900	--
Washington	51,500	52,900	--
West Virginia	30,400	31,800	--
Wisconsin	77,900	79,300	--
Wyoming	23,800	25,200	--
Puerto Rico	13,300	14,700	--
Trust Territories	11,300	12,700	--
Virgin Islands	13,300	14,700	--
Guam	13,000	14,400	--
Administrative Expenses	58,087	--	--
Total, Available or Estimate	3,071,387	3,091,000	--

FARMERS HOME ADMINISTRATION

The 1990 Budget Estimates include language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Very Low-Income Housing Repair Grants:

For grants to the very low-income elderly for essential repairs to dwellings pursuant to section 504 of the Housing Act of 1949, as amended, [\$12,500,000] \$10,000,000, to remain available until expended.

Very Low-Income Housing Repair Grants

Appropriation Act, 1989.....	\$12,500,000
Budget Estimate, 1990.....	10,000,000
Decrease in Appropriation.....	<u>- 2,500,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	: 1988 : Actual	: 1989 : Estimated	: Decrease	: 1990 : Estimated
Very low-income housing repair grants.....	: \$12,499,881:	: \$12,500,000:	: -\$2,500,000	: \$10,000,000
Unobligated balance lapsing.....	: 119:	: --:	: --	: --
Total appropriation.....	: 12,500,000:	: 12,500,000:	: -2,500,000(1):	: 10,000,000

Staff years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This grant program is authorized under section 504 of the Housing Act of 1949, as amended. The rural housing repair grant program is carried out by making grants to very low-income elderly owner-occupants to make necessary repairs to improve and modernize their dwellings in order to remove safety and health hazards.

The grants may be made to cover the cost of improvements or additions, such as repairing roofs, providing toilet facilities, providing a convenient and sanitary water supply, installing screens, repairing or providing structural supports, or making similar repairs, additions, or improvements including all preliminary and installation costs in obtaining central water and sewer service. A grant can be made in combination with a section 504 very low-income housing repair loan. The Agency has determined that a grant cannot exceed \$5,000; and a grant and loan combined cannot exceed \$7,500.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$2,500,000 for the very low-income housing repair grants (\$12,500,000 available in 1989).

Need for Change. Families eligible to be assisted under this program may request assistance under the housing voucher program which provides housing assistance more efficiently and offers a greater choice of housing opportunities to the program recipients. Also, there are private and State Agencies providing similar assistance.

Nature of Change. The reduction of \$2,500,000 in program level would not have a significant effect on the program.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

Very-Low Income Housing Repair Grant Program

	1988 Amount	1989 Amount	1990 Amount
Alabama.....	521,260	369,000	295,200
Alaska.....	--	48,000	38,400
Arizona.....	50,140	143,000	114,400
Arkansas.....	207,300	289,000	231,200
California.....	151,260	467,000	373,600
Colorado.....	70,290	100,000	80,000
Connecticut.....	20,850	73,000	62,400
Delaware.....	17,230	30,000	24,000
Florida.....	214,039	361,000	288,800
Georgia.....	468,585	455,000	364,000
Hawaii.....	--	45,000	36,000
Idaho.....	28,040	81,000	64,800
Illinois.....	247,605	385,000	308,800
Indiana.....	98,198	323,000	258,400
Iowa.....	152,374	239,000	191,200
Kansas.....	113,414	183,000	146,400
Kentucky.....	465,820	428,000	342,400
Louisiana.....	479,830	320,000	256,000
Maine.....	214,030	128,000	102,400
Maryland.....	158,525	134,000	107,200
Massachusetts.....	39,430	148,000	118,400
Michigan.....	342,948	406,000	324,800
Minnesota.....	165,781	273,000	218,400
Mississippi.....	458,120	328,000	262,400
Missouri.....	443,708	343,000	274,400
Montana.....	14,600	70,000	56,000
Nebraska.....	115,960	116,000	92,800
Nevada.....	9,330	24,000	19,200
New Hampshire.....	75,960	72,000	57,600
New Jersey.....	82,146	112,000	89,600
New Mexico.....	188,170	112,000	89,600
New York.....	702,256	409,000	327,200
North Carolina.....	759,363	594,000	475,200
North Dakota.....	31,550	64,000	51,200
Ohio.....	473,299	484,000	387,200
Oklahoma.....	271,565	242,000	193,600
Oregon.....	140,950	176,000	140,800
Pennsylvania.....	911,112	597,000	477,600
Rhode Island.....	36,040	17,000	13,600
South Carolina.....	387,824	306,000	244,800
South Dakota.....	52,020	81,000	64,800
Tennessee.....	259,526	395,000	316,000
Texas.....	934,218	741,000	592,800
Utah.....	27,625	47,000	37,600
Vermont.....	59,720	57,000	45,600
Virginia.....	459,042	386,000	308,800
Washington.....	144,873	197,000	157,600
West Virginia.....	278,925	252,000	201,600
Wisconsin.....	370,360	302,000	241,600
Wyoming.....	13,080	42,000	33,600
Puerto Rico.....	350,690	391,000	312,800
Trust Territories..	211,200	93,000	74,400
Virgin Islands.....	9,700	16,000	12,800
Total, Available or Estimate.....	12,499,881	12,500,000	10,000,000

FARMERS HOME ADMINISTRATION

The 1990 Budget Estimates include proposed changes in the language of this item as follows (deleted matter enclosed in brackets):

Rural Development Grants:

[For grants authorized under section 310(B)(c) (7 U.S.C. 1932) to any qualified public or private nonprofit organization, \$6,500,000: Provided, That \$500,000 shall be available for grants to qualified nonprofit organizations to provide technical assistance for rural communities needing improved passenger transportation systems or facilities in order to promote economic development.]

This change eliminates the appropriation language for this program. No funds are requested for fiscal year 1990.

Rural Development Grants

Appropriation Act, 1989.....	\$6,500,000
Budget Estimate, 1990.....	--
Decrease in Appropriation.....	<u>-6,500,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	1988 Actual	1989 Estimated	Decrease	1990 Estimated
Rural development grants.....	\$6,500,000	\$6,500,000	-\$6,500,000	--
Total appropriation...	6,500,000	6,500,000	-6,500,000(1)	--

Staff-years are reflected on the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This grant program is authorized under section 310B(c) of the Consolidated Farm and Rural Development Act, as amended. Grants may be made to any qualified public or private nonprofit organization for measures designed to facilitate development of private business enterprises, including the development, construction or acquisition of land, buildings, plants, equipment, access streets and roads, parking areas, utility extensions, necessary water supply and waste disposal facilities, technical assistance, necessary start up capital, establishment of revolving loan funds, refinancing, services and fees. Grants may not exceed \$50,000,000 annually and no single grant may exceed \$500,000. This grant program was previously consolidated under the Miscellaneous Expiring Appropriations Account; however, in FY 1988 a separate appropriation was established for the program.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$6,500,000 for the rural development grants (\$6,500,000 available in 1989).

Need for Change. This program is proposed for termination. Public and private nonprofit organizations eligible to be assisted under this grant program may request assistance under the Business and Industry Guarantee Loan Program which provides assistance more efficiently and at less cost to the Government.

Nature of Change. No appropriation is requested for FY 1990.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

Rural Development Grants

	1988 Amount	1989 Amount	1990 Amount
Alabama.....	--	83,000	--
Alaska.....	--	28,000	--
Arizona.....	--	56,000	--
Arkansas.....	--	80,000	--
California.....	--	65,000	--
Colorado.....	--	46,000	--
Connecticut.....	--	36,000	--
Delaware.....	--	37,000	--
Florida.....	--	67,000	--
Georgia.....	125,000	103,000	--
Hawaii.....	--	34,000	--
Idaho.....	327,000	56,000	--
Illinois.....	190,000	94,000	--
Indiana.....	--	86,000	--
Iowa.....	100,000	82,000	--
Kansas.....	--	68,000	--
Kentucky.....	125,000	99,000	--
Louisiana.....	--	82,000	--
Maine.....	350,000	59,000	--
Maryland.....	--	43,000	--
Massachusetts.....	--	55,000	--
Michigan.....	--	80,000	--
Minnesota.....	150,000	76,000	--
Mississippi.....	--	96,000	--
Missouri.....	150,000	86,000	--
Montana.....	--	49,000	--
Nebraska.....	--	57,000	--
Nevada.....	--	30,000	--
New Hampshire.....	50,000	43,000	--
New Jersey.....	--	45,000	--
New Mexico.....	--	57,000	--
New York.....	45,000	85,000	--
North Carolina.....	--	120,000	--
North Dakota.....	150,000	45,000	--
Ohio.....	50,000	95,000	--
Oklahoma.....	3,000,000	3,071,000	--
Oregon.....	--	57,000	--
Pennsylvania.....	225,000	97,000	--
Rhode Island.....	98,000	31,000	--
South Carolina.....	285,000	75,000	--
South Dakota.....	--	54,000	--
Tennessee.....	330,000	88,000	--
Texas.....	--	119,000	--
Utah.....	--	45,000	--
Vermont.....	250,000	45,000	--
Virginia.....	400,000	82,000	--
Washington.....	--	52,000	--
West Virginia.....	--	72,000	--
Wisconsin.....	100,000	79,000	--
Wyoming.....	--	37,000	--
Puerto Rico.....	--	133,000	--
Trust Territories..	--	20,000	--
Virgin Islands.....	--	20,000	--
Total, Available or Estimate.....	6,500,000	6,500,000	--

FARMERS HOME ADMINISTRATION

The 1990 Budget Estimates include language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Housing Preservation Grants:

For grants for rural housing preservation as authorized by section 552 of the Housing and Urban-Rural Recovery Act of 1983 (Public Law 99-181),
[\$19,140,000] \$15,000,000.

Rural Housing Preservation Grants

Appropriation Act, 1989.....	\$19,140,000
Budget Estimate, 1990.....	15,000,000
Decrease in Appropriation.....	<u>-4,140,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	: 1988 : Actual	: 1989 : Estimated	: Decrease	: 1990 : Estimated
Rural housing preservation grants....	: \$19,140,000:	: \$19,140,000:	: -\$4,140,000	: \$15,000,000
Total appropriation.....	: 19,140,000:	: 19,140,000:	: -4,140,000(1):	: 15,000,000

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This program is authorized under section 533 of the Housing Act of 1949, as amended. Grants are made to eligible private nonprofit groups, Indian tribes, and government agencies for the rehabilitation of single family housing owned by low-income and very low-income families and the rehabilitation of rental and cooperative housing for low and very low-income families.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$4,140,000 for rural housing preservation grants (\$19,140,000 available in FY 1989).

Need for Change. The Administration is of the opinion that more recipients would benefit from this program if States also participated in the funding.

Nature of Change. Legislation will be requested to require matching funds from the States. This would allow the program to broaden its scope.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

Rural Housing Preservation Grant Program

	1988 Amount	1989 Amount	1990 Amount
	-----	-----	-----
Alabama.....	509,000	553,000	442,400
Alaska.....	--	170,000	136,000
Arizona.....	206,000	277,000	221,600
Arkansas.....	514,500	441,000	352,800
California.....	561,000	589,000	471,200
Colorado.....	300,000	220,000	176,000
Connecticut.....	--	179,000	143,200
Delaware.....	200,000	142,000	113,600
Florida.....	483,000	463,000	370,400
Georgia.....	595,000	661,000	428,800
Hawaii.....	--	161,000	128,800
Idaho.....	384,000	204,000	163,200
Illinois.....	379,000	458,000	366,400
Indiana.....	481,000	429,000	343,200
Iowa.....	300,000	323,000	258,400
Kansas.....	337,500	270,000	216,000
Kentucky.....	659,000	642,000	513,600
Louisiana.....	453,800	509,000	407,200
Maine.....	349,200	248,000	198,400
Maryland.....	262,000	249,000	199,200
Massachusetts.....	213,000	237,000	189,600
Michigan.....	489,000	518,000	414,400
Minnesota.....	556,000	373,000	298,400
Mississippi.....	490,000	531,000	424,800
Missouri.....	409,000	454,000	363,200
Montana.....	250,000	187,000	149,600
Nebraska.....	314,000	216,000	172,800
Nevada.....	--	134,000	107,200
New Hampshire.....	161,000	179,000	143,200
New Jersey.....	344,000	208,000	166,400
New Mexico.....	445,000	258,000	206,400
New York.....	452,000	502,000	401,600
North Carolina.....	716,000	796,000	636,800
North Dakota.....	212,000	178,000	142,400
Ohio.....	623,000	600,000	480,000
Oklahoma.....	480,000	361,000	288,800
Oregon.....	379,000	282,000	225,600
Pennsylvania.....	594,000	654,000	473,200
Rhode Island.....	--	127,000	101,600
South Carolina.....	475,000	486,000	388,800
South Dakota.....	301,000	201,000	160,800
Tennessee.....	240,000	573,000	408,400
Texas.....	815,000	903,000	622,400
Utah.....	149,000	166,000	132,800
Vermont.....	200,000	170,000	136,000
Virginia.....	598,000	537,000	429,600
Washington.....	388,000	309,000	247,200
West Virginia.....	416,000	396,000	316,800
Wisconsin.....	393,000	386,000	308,800
Wyoming.....	274,000	152,000	121,600
Puerto Rico.....	790,000	873,000	590,400
Trust Territories..	--	--	50,000
Virgin Islands.....	--	--	50,000
	-----	-----	-----
Total, Available or Estimate.....	19,140,000	19,140,000	15,000,000
	-----	-----	-----

FARMERS HOME ADMINISTRATION

The 1990 Budget Estimates include language for this item as follows (new language underscored):

Rural [Rental Assistance Payments] Housing Voucher Program:

For necessary expenses to operate a housing voucher program under section 8(o) of the United States Housing Act of 1937, as amended (42 U.S.C. 1437f(o)), \$360,000,000, to be administered by the Secretary of Agriculture.

This change proposes new appropriation language for funding a rural housing voucher program.

Rural Housing Voucher Program

Appropriation Act, 1989.....	--
Budget Estimate, 1990.....	\$360,000,000
Increase in Appropriation.....	<u>+360,000,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	: 1988 : Actual	: 1989 : Estimated	: Increase	: 1990 : Estimated
Rural housing vouchers.....	--	--	+\$360,000,000	\$360,000,000
Rental assistance payments...	--	--	--	--
Total appropriation.....	--	--	+\$360,000,000(1)	\$360,000,000

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This program is authorized under section 8(o) of the United States Housing Act of 1937, as amended. FmHA proposes a rural housing voucher program based on the same payment standards and regulations set by the Department of Housing and Urban Development (HUD) for its section 8 voucher program. This voucher program will provide housing assistance payments to individuals and families based on the difference between what the family can afford for housing according to their income and the cost of rental housing in the community. As operated by HUD, the assistance is provided through a public housing agency (PHA) which determines the amount of the voucher by comparing the families' incomes to local rents. Assistance will be provided monthly, with annual renewals for up to five years.

Experience from a FY 1988 FmHA/HUD housing voucher initiative demonstrates that vouchers are a viable alternative in rural areas where available and suitable housing stock exists. As of September 1988, nearly two-thirds of the 2,200 vouchers allocated for the initiative were under contract in 13 states.

This appropriation account will also continue to disburse funds for new construction rental assistance units obligated in prior years.

JUSTIFICATION OF INCREASE

- (1) An increase of \$360,000,000 for a rural housing voucher program (zero available in FY 1989).

Need for Change. FmHA's traditional forms of insured housing loan assistance with interest subsidies are not the most efficient or effective way to provide suitable housing to very low-income rural residents.

Nature of change. A rural housing voucher program similar to HUD's will be implemented in rural areas, making 20,000 housing units available to rural residents most in need.

Farmers Home Administration
1988 and Estimated 1989 and 1990

Rural Housing Voucher Program

	1988 Amount	1989 Amount	1990 Amount
Alabama.....	--	--	12,000,000
Alaska.....	--	--	1,600,000
Arizona.....	--	--	4,600,000
Arkansas.....	--	--	9,000,000
California.....	--	--	13,000,000
Colorado.....	--	--	3,000,000
Connecticut.....	--	--	1,900,000
Delaware.....	--	--	800,000
Florida.....	--	--	9,500,000
Georgia.....	--	--	13,000,000
Hawaii.....	--	--	1,400,000
Idaho.....	--	--	2,600,000
Illinois.....	--	--	9,500,000
Indiana.....	--	--	8,900,000
Iowa.....	--	--	5,900,000
Kansas.....	--	--	4,400,000
Kentucky.....	--	--	14,000,000
Louisiana.....	--	--	11,000,000
Maine.....	--	--	3,800,000
Maryland.....	--	--	3,800,000
Massachusetts.....	--	--	3,500,000
Michigan.....	--	--	11,000,000
Minnesota.....	--	--	7,300,000
Mississippi.....	--	--	11,000,000
Missouri.....	--	--	9,500,000
Montana.....	--	--	2,100,000
Nebraska.....	--	--	2,900,000
Nevada.....	--	--	500,000
New Hampshire.....	--	--	1,900,000
New Jersey.....	--	--	2,700,000
New Mexico.....	--	--	4,100,000
New York.....	--	--	11,000,000
North Carolina.....	--	--	16,000,000
North Dakota.....	--	--	1,800,000
Ohio.....	--	--	13,000,000
Oklahoma.....	--	--	7,000,000
Oregon.....	--	--	4,800,000
Pennsylvania.....	--	--	15,000,000
Rhode Island.....	--	--	400,000
South Carolina.....	--	--	10,000,000
South Dakota.....	--	--	2,500,000
Tennessee.....	--	--	13,000,000
Texas.....	--	--	19,000,000
Utah.....	--	--	1,500,000
Vermont.....	--	--	1,600,000
Virginia.....	--	--	12,000,000
Washington.....	--	--	5,500,000
West Virginia.....	--	--	8,000,000
Wisconsin.....	--	--	7,700,000
Wyoming.....	--	--	1,100,000
Puerto Rico.....	--	--	18,000,000
Trust Territories..	--	--	400,000
Virgin Islands.....	--	--	400,000
Total, Available or Estimate.....	--	--	360,000,000

FARMERS HOME ADMINISTRATION

The 1990 Budget Estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Development Loan Fund:

For direct loans to intermediary borrowers, \$14,000,000, as authorized under the Rural Development Loan Fund (42 U.S.C. 9812(a)), to be available from funds in the Rural Development Loan Fund, [~~\$3,000,000~~] \$2,000,000 and from funds [transferred from the Rural Development Insurance Fund, \$11,000,000] appropriated to this account, \$12,000,000.

This change requests a direct appropriation to this fund of the authorized program level not provided by recoveries.

Rural Development Loan Fund

Program Loan Level, 1989.....	\$13,682,873
Program Loan Level, 1990.....	14,000,000
Increase in Loan Level.....	<u>+317,127</u>

PROJECT STATEMENT

(On basis of obligations under available funds)

Project	1988 Actual	1989 Estimated	Increase or Decrease	1990 Estimated
Rural development loans.....	13,990,172	\$13,682,873	+\$317,127(1)	\$14,000,000
Offsetting collections..	-1,906,358	-1,933,927	-372,394	-2,306,321
Unobligated balance available, start of year.....	-5,332,760	-748,946	+748,946	--
Unobligated balance available, end of year.....	748,946	--	+306,321	306,321
Total appropriation (adjusted).....	7,500,000	11,000,000	+1,000,000	12,000,000

Staff-years are reflected on the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

The Human Services Reauthorization Act of 1986, P.L. 99-425, reauthorized the making of loans, out of repayments or other funds made available to the Rural Development Loan Fund, by FmHA. The 1989 loan program level will be made available through unobligated balances, repayments to the fund, plus a transfer from the Rural Development Insurance Fund of \$11,000,000. The 1990 loan program level will be made available through repayments to the fund and a direct appropriation of \$12,000,000.

Loans will be made to intermediary borrowers (i.e. small investment groups) who in turn will relend the funds to rural businesses, community development corporations, private nonprofit organizations, etc. for the purpose of improving business, industry, community facilities, and employment opportunities and diversification of the economy in rural areas.

JUSTIFICATION OF INCREASE

- (1) An increase of \$317,127 for rural development loans (\$13,682,873 available in 1989).

The administration proposes to continue financial assistance for rural economic development through the Rural Development Loan Fund. The slight increase in program level results from increased anticipated repayments and an additional \$1,000,000 in the adjusted appropriation. Consistent with the Department's Rural Development Initiative, the program has been limited to small-scale, family-sized enterprises in areas attempting to provide employment alternatives to offset jobs lost in the agricultural sector.

Rural Development Loan Fund Loan Subsidies
Proposed for Later Transmittal, Proposed Legislation - Credit Reform

Budget Estimate, Current Law, 1990.....	--
Change due to proposed legislation.....	\$9,440,000
Net Request, President's 1990 Budget Request.....	+9,440,000

SUMMARY OF INCREASE - PROPOSED LEGISLATION
(On basis of loan levels)

	:	FY 1990	:	
Item of Change	:	Current	:	Program
	:	Law	:	Changes
	:		:	President's
	:		:	Request
Loan subsidies.....	:	--	:	+\$9,440,000:
				\$9,440,000

EXPLANATION OF PROPOSED LEGISLATION

Under the Administration's credit reform proposal the intermediary relending program will continue to be operated by FmHA, although the loans will be disbursed from a new general fund account in Treasury. The \$9.44 million requested under this proposal is required to cover the interest subsidy cost. For direct loans that have not been sold, the subsidy is the estimated present value of the difference in cost to the borrower between the Federal direct loan and alternative private financing available to the same or a similar borrower for the same or a similar purpose.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

Rural Development Loan Fund

Rural Development Loans

	1988 Amount	1989 Amount	1990 Amount
Georgia.....	750,000	--	--
Kansas.....	750,000	--	--
Maine.....	1,560,000	--	--
Maryland.....	2,120,000	--	--
Pennsylvania.....	510,000	--	--
Vermont.....	2,300,000	--	--
West Virginia.....	6,000,000	--	--
Total, Available or Estimate.....	13,990,000	13,683,000 1/	14,000,000 1/

1/ Cannot be distributed in advance.

FARMERS HOME ADMINISTRATION

The 1990 Budget Estimates include language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Compensation for Construction Defects:

For compensation for construction defects as authorized by section 509(c) of the Housing Act of 1949, as amended, [~~\$500,000~~] \$250,000, to remain available until expended.

Compensation for Construction Defects

Appropriation Act, 1989.....	\$500,000
Budget Estimate, 1990.....	250,000
Decrease in Appropriation.....	<u>-250,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	: 1988 : Actual	: 1989 : Estimated	: Decrease	: 1990 : Estimated
Compensation for	:	:	:	:
construction defects.....	\$257,921	\$500,000	-\$250,000	\$250,000
Unobligated balance lapsing..	455,079	--	--	--
Total appropriation.....	713,000	500,000	-250,000(1)	250,000

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This program is authorized under section 509(c) of the Housing Act of 1949, as amended. The Secretary of Agriculture is authorized to make expenditures to correct structural defects, or to pay claims of owners arising from such defects on newly constructed dwellings purchased with FmHA financial assistance. Claims will not be paid until provisions under the builder's warranty have been fully pursued. Requests for compensation for construction defects must be made within eighteen months after the date financial assistance was granted.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$250,000 for compensation for construction defects program (\$500,000 available in FY 1989).

Need for Change. The actual payments have been well under the authorized levels. In the last three years the payments ranged from \$241 in FY 1987 to \$268 in FY 1986. With no Section 502 program for FY 1990, the amount requested should provide adequate coverage.

Nature of Change. Improvements in inspections during construction of houses financed by the Agency should keep payments at the requested level.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

Compensation for Construction Defects

	1988 Amount	1989 Amount	1990 Amount
Alabama.....	5,800	9,100	4,550
Alaska.....	--	9,100	4,550
Arizona.....	1,540	9,100	4,550
Arkansas.....	--	12,000	6,000
California.....	--	9,100	4,550
Colorado.....	--	10,000	5,000
Connecticut.....	--	11,200	5,600
Delaware.....	--	7,000	3,500
Florida.....	--	5,700	2,850
Georgia.....	1,380	3,800	1,900
Hawaii.....	--	8,500	4,250
Idaho.....	--	10,100	5,050
Illinois.....	1,100	8,500	4,250
Indiana.....	9,090	13,000	6,500
Iowa.....	8,210	8,000	4,000
Kansas.....	--	7,000	3,500
Kentucky.....	--	7,700	3,850
Louisiana.....	--	12,000	6,000
Maine.....	2,221	3,000	1,500
Maryland.....	--	3,500	1,750
Massachusetts.....	5,000	3,500	1,750
Michigan.....	41,680	9,000	4,500
Minnesota.....	4,400	12,000	6,000
Mississippi.....	34,690	16,300	8,150
Missouri.....	4,610	16,200	8,100
Montana.....	9,480	7,000	3,500
Nebraska.....	--	7,000	3,500
Nevada.....	--	7,000	3,500
New Hampshire.....	--	13,600	6,800
New Jersey.....	--	10,500	5,250
New Mexico.....	--	9,800	4,900
New York.....	24,000	15,000	7,500
North Carolina.....	7,050	10,800	5,400
North Dakota.....	3,710	10,700	5,350
Ohio.....	3,570	2,000	1,000
Oklahoma.....	210	3,800	1,900
Oregon.....	--	1,500	750
Pennsylvania.....	11,700	14,000	7,000
Rhode Island.....	--	9,800	4,900
South Carolina.....	9,180	7,000	3,500
South Dakota.....	--	17,000	8,500
Tennessee.....	21,000	26,000	13,000
Texas.....	11,480	20,000	10,000
Utah.....	--	8,000	4,000
Vermont.....	--	5,000	2,500
Virginia.....	1,900	16,000	8,000
Washington.....	7,970	11,200	5,600
West Virginia.....	12,330	8,500	4,250
Wisconsin.....	14,620	15,400	7,700
Wyoming.....	--	3,500	1,750
Puerto Rico.....	--	3,500	1,750
Trust Territories..	--	3,500	1,750
Virgin Islands.....	--	8,500	4,250
Total, Available or Estimate.....	257,921	500,000	250,000

FARMERS HOME ADMINISTRATION

The 1990 Budget Estimates include language for this item as follows (deleted matter enclosed in brackets):

Self-Help Housing Land Development Fund:

[For direct loans pursuant to section 523(b)(1)(B) of the Housing Act of 1949, as amended (42 U.S.C. 1490c), \$500,000 shall be available from funds in the Self-Help Housing Land Development Fund.]

This change eliminates the authority to make direct loans for this program. No authority is requested for fiscal year 1990.

Self-Help Housing Land Development FundOn Basis Of Loan Levels

Program Loan Level, 1989.....	\$500,000
Program Loan Level, 1990.....	--
Decrease in Loan Level.....	<u><u>-500,000</u></u>

PROJECT STATEMENT

(On basis of program level and on basis of obligations under available funds)

Project	1988 Actual	1989 Estimated	Increase or Decrease	1990 Estimated
Mutual and self-help housing site loans...	--	\$ 500,000	-\$500,000(1)	--
Unobligated balance available, start of year.....	-\$2,596,374	-2,924,324	+315,000	-\$2,609,324
Receipts.....	-327,950	-185,000	-24,000	-209,000
Unobligated balance available, end of year.....	2,924,324	2,609,324	+209,000	2,818,324
Total appropriation....	--	--	--	--

Staff-years are reflected in the Salaries and Expenses Project Statement.

EXPLANATION OF PROGRAM

This revolving fund is authorized under Section 523 (b)(1)(B) of the Housing Act of 1949, as amended. The fund is used for making loans to public or private nonprofit organizations for the acquisition and development of land as building sites to be subdivided and sold to eligible families, nonprofit organizations, and cooperatives.

Justification of Decrease

- (1) A decrease of \$500,000 for the mutual and self-help housing site loan program (\$500,000 available in FY 1989).

Need for change. This program is proposed for termination. Families eligible to be assisted under this program may request assistance under the housing voucher program which provides housing assistance more efficiently and offers a greater choice of housing opportunities to the program recipients. Also, there has been little or no demand for the program. None of the funds authorized for FY 1988 were used.

Nature of Change. No program is requested for FY 1990.

Farmers Home Administration
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1988 and Estimated 1989 and 1990

Self-Help Housing Land Development Fund

	1988 Amount	1989 Amount	1990 Amount
	-----	-----	-----
California.....	--	200,000	--
New Mexico.....	--	100,000	--
South Dakota.....	--	100,000	--
Washington.....	--	100,000	--
	-----	-----	-----
Total, Available or Estimate.....	--	500,000	--
	-----	-----	-----
	-----	-----	-----

PASSENGER MOTOR VEHICLES

The 1990 Budget Estimates propose the replacement of four passenger motor vehicles.

The passenger motor vehicles of the Farmers Home Administration are used primarily by the County Supervisors in the Pacific Trust Territories, Guam, and American Samoa for the performance of their daily work. None of the vehicles are used in the 50 United States or Washington, D.C. The vehicles are used in areas where privately-owned vehicles and common carrier facilities are either non-existent, uneconomical, or inadequate due to the nature of the travel which requires a high degree of mobility with frequent stops at rural housing sites and farm properties. FmHA personnel are required to inspect and appraise homes and farms on which loan applications are pending. They also must visit various properties frequently to perform loan servicing activities.

Passenger motor vehicles are not assigned to one individual exclusively and are at locations where more than one employee has a need for them. This allows several employees to use a single vehicle and minimizes the number of vehicles and maintenance costs.

Replacement of passenger motor vehicles. Replacement of four passenger motor vehicles now in operation is proposed. These vehicles are located in the Pacific Trust Territories and American Samoa and must be replaced because of excessive rust and corrosion. The high salt spray content and humidity of the air in this region are very conducive to corrosion and shorten the serviceability period of motor vehicles. The average serviceability period for these vehicles is about two years.

Age and mileage data for Farmers Home Administration passenger motor vehicles on hand as of September 30, 1988, are as follows:

<u>Age-Year Model</u>	<u>Age Data</u>		<u>Lifetime Mileage (thousands)</u>	<u>Mileage Data</u>	
	<u>Number of Vehicles</u>	<u>Percent of Total</u>		<u>Number of Vehicles</u>	<u>Percent of Total</u>
1984	4	37	Over 50	1	9
1985	2	18	40-50	1	9
1986	1	9	30-40	1	9
1987	2	18	20-30	3	27
1988	<u>2</u>	<u>18</u>	Under 20	<u>5</u>	<u>46</u>
Totals	11	100		11	100

